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ENERGY

FILE No. ME 12/359/1 (Part)

TITLE: ENERGY MATTERS IN IRAQ

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PART

FILE No. ME 12/359/1

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ME 12/359/1

①

Private Secretary

Copy to: Energy Department ✓

KING FAISAL'S MESSAGE TO THE PRIME MINISTER

- A
1. Jedda telegram No 678 of 24 December conveyed a translation of King Faisal's message to the Prime Minister of 23 December.
 2. I now attach the original, with one photocopy, of King Faisal's message and translation for transmission to No 10.
- I attach a draft letter from the Private Secretary.

T J Clark
Middle East Department

8 January 1974

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(2)

OTHER CAT A

FM BAGHDAD 250700Z

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29 JAN 1974	
ME 12	3591

TOP COPY

M. Lockton

M. Lockton 8/25
or enter, pl.

UK EYES ONLY "A".

TO ROUTINE FCO TEL NO 26 OF 25 JANUARY 1974

UK EYES ONLY "A".

(2) MIPT - ANSWERS TO ANNEX A

C 257

CUTBACKS AND EMBARGOS.

IRAQ HAS NOT CO-OPERATED WITH ARAB STATES IN CUTBACK OR IMPOSED LEGAL EMBARGO.

THE PRESS WELCOMED EMBARGO OF USA AND HOLLAND AT THE TIME AND HAMMADI HAS SAID THESE COUNTRIES DO NOT RECEIVE OIL. THE POLICY OF BPC IS NOT TO SHIP TO EMBARESSING DESTINATIONS.

2. THE ULTIMATE VOICE IN OIL MATTERS IS SADDAM HUSSEIN WITH BAKRS AGREEMENT. THEY NEED RCC APPROVAL OF POLICY

CHANGES, NATIONALISATION, ETC. PRATICAL EXECUTION OF POLICY LIES WITH HAMMADI AND CHELABI.

3. IRAQ APPEARS TO BE FULFILLING ITS EXISTING AGREEMENTS FOR THE SALE OF NATIONALISED OIL AND ALLOWING BPC TO SELL AS AGREED TO THE OIL COMPANIES. THERE IS NO SPECIAL FAVOURITISM OPERATING EXCEPT IN SO FAR AS BPC ARE PRESUMABLY RESTRICTING THEIR CUSTOMERS TO DESTINATIONS OTHER THAN USA AND HOLLAND.

4. DAILY LOADINGS.

INFORMATION ON KHOR AMAYA LOADINGS IS TELEXED TO IPC LONDON

DAILY FROM BASRAH. ^{Destination} ~~RESTRICTIONS~~ OF INOC OIL FROM
KHARAMAYA IS ALSO KNOWN FROM IPC SCHEDULES.
IPC MUST KNOW ^{roughly} ~~NIGHTLY~~ INOC EXPORTS FROM FAO WHICH ARE
IN ANY CASE SMALL. FOR TRIPOLI AND BANIAS I HAVE NO INFM.

SUGGEST TRY DAMASCUS OR BEIRUT. IF IPC PERSONNEL ARE STILL
WORKING AT EITHER PORT THEY MAY KNOW FIGURES.

5. PARTICIPATION

- IS NOT A LIVE SUBJECT HERE. NO DOUBT NATIONALISATION OF
REMAINING 57 % OF PBC WILL TAKE PLACE WHEN EXPANSION
PROGRAMME IS COMPLETE.

6. REAL INTENTIONS OF OPEC AND OAPEC OVER PRICE - SITN
HAS CHANGED DRAMITICALLY SINCE YOU WROTE.

IRAQ UNHAPPY ABOUT ALIENATION OF W EUROPE THROUGH
PRICE INCREASES BUT DECLARED POLICY NOW IS TO PRICE OIL TO MATCH
OTHER COMMODITIES AND INDUSTRIAL GOODS IMPORTS.

MCCLUNEY

BT

FILES
HD/EN D
HD/MED
HD/NENAD
MR TONKIN PUSD
MR TAYLOR

Mr Egerton

ME 2/59/1

HOVERCRAFT FOR IRAQ

I have spoken to Mr Burton. MED are holding the submission until Monday in case the arms embargo is lifted over the weekend. MED had consulted Kuwait about the sale; the Post's view was that the sale should not be approved at present. At our request, Mr Burton will telegraph Kuwait again today giving the views of the Saudis and Iranians and asking whether HMA would now agree that the sale should go through. I think this covers our worry: we may need to

/ consult

Good.
Shew
result to
Mr Taylor
on Monday
if M.W.
still doubtful
J
28/1

consult MED further in the light
of Kuwait's reply.

G Plorkton
18/1

Mr Egerton

Mr Codrington ✓
 I agree strongly with §3. of 17/1

1. Please see Mr Burton's draft minute attached on hovercraft for Iraq. We are asked to comment by noon tomorrow (today).
2. Energy Department's interest in this deal centres on any possible effect on our longer-term relationships with the Gulf oil producers. The only state likely to be affected seems to be Kuwait, as Mr Burton says. The Kuwaitis have not been helpful to us over oil; indeed the Oil Minister has made several anti-British remarks. However the Amir recently stressed, in his letter to the Prime Minister, his wish for continued friendly relations (FCO tel 15 to Kuwait of 11 January), and if ~~the~~ the sale of hovercraft to Iraq were to put a strain / on

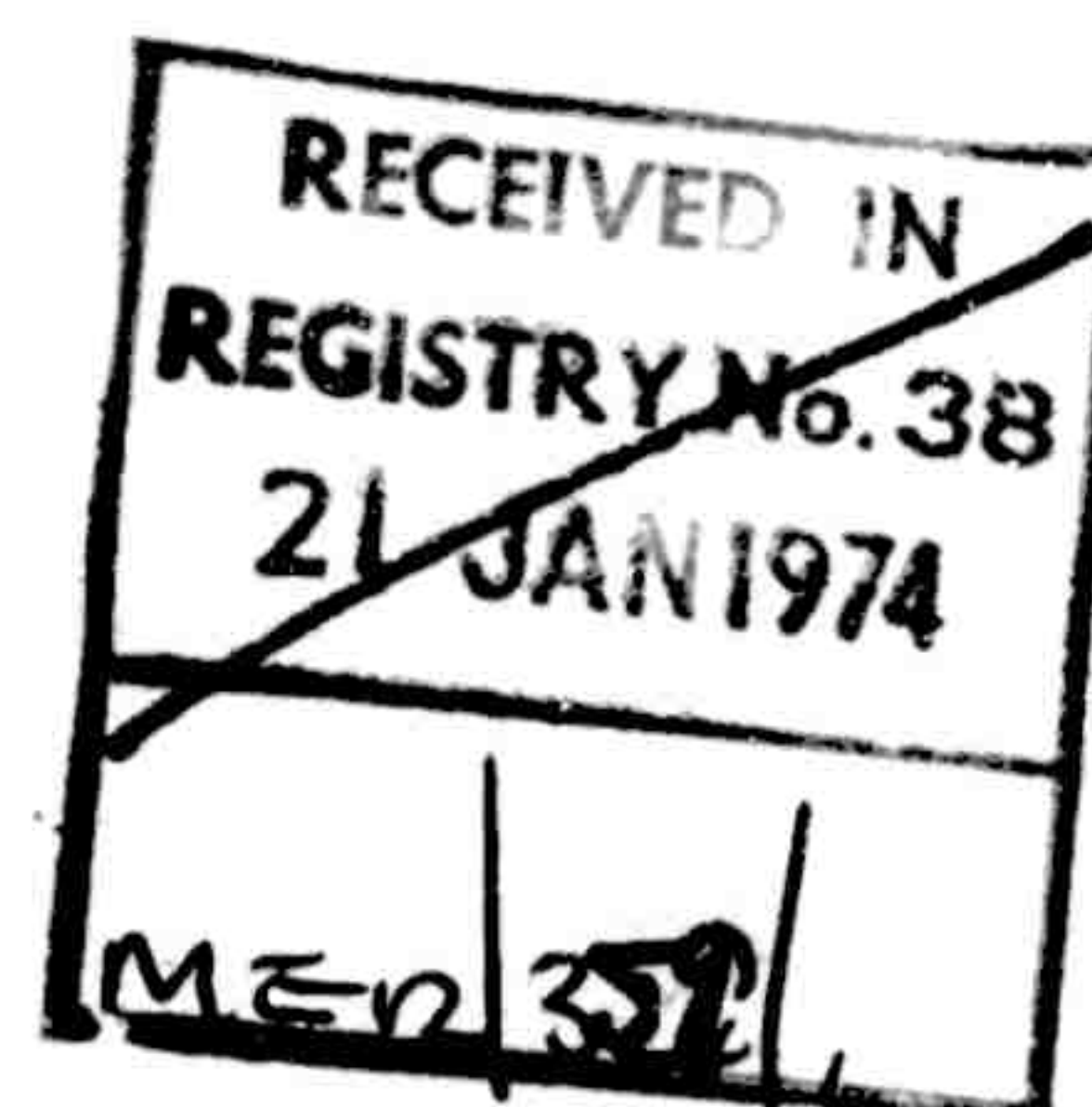
on our relationship, our prospects of a long-term oil deal could be adversely affected.

3. I do not believe that we should support this sale to the Iraqis without mentioning it to the Kuwaitis in advance. At the very least we should warn HM Ambassador in Kuwait and ask for his assessment of the likely reaction and how we might best present our case. If you agree, I shall speak to Mr Burton on these lines.

J. L. Lister
17/1

2a

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Mr J L Taylor

HOVERCRAFT FOR IRAQ

Flag A

1. MHD intend to submit to Mr Weir shortly recommending that British Hovercraft Corporation Ltd should be given a licence to export five hovercraft to Iraq.

2. Jedda, Tehran and Kuwait were consulted. Jedda and Tehran reported that they could see no objection to the sale: Kuwait felt that the sale should not be approved at present. With Mr Egerton's approval we pointed out to MHD our anxiety that this sale could have unfortunate consequences on our talks with the Kuwaitis on a long-term oil deal. MHD agreed to put the latest position to the Ambassador in Kuwait and ask for a further assessment. The Ambassador has now replied, again recommending that the sale should not be permitted but avoiding any reference to oil. The British Hovercraft Corporation are pressing MHD for a reply (I understand that the matter has been outstanding for some time) and MHD intend to put up their submission without altering their recommendation.

3. Although Kuwait have not mentioned oil I still have reservations about the proposed sale. It would be difficult to stop it now; but before the Department concurs, I should be glad to know your views.

H M Fenn

Energy Department

21 January 1974

Copy to: Mr T Clark, MHD

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3

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TO ROUTINE FCO TEL NO 25 OF 25 JANUARY. 1974

INFN ON OIL SUPPLIES.

Secret/Secret

EGERTONS LETTER 2JC 10/408/2 OF 10 DECEMBER REACHED ME
9 JAN DUE TO CLASSIFICATION AND SINCE REPLY IS SIMILARLY
DELAYED MIFT CONTAINS MAIN POINTS.

MCCLUNEY

FILES
EN D
MED
NENAD
MR TAYLOR

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~~Mr Fern~~ To issue
Havercraft for Iraq

Reference.....

21/

ME 2/52/1

31

1. Please see the papers below. In response to my request, supported by Mr Egerton, MED telegraphed Kuwait for their further views, especially on the subject of the effect such a sale might have on our long-term oil negotiations, (flag B).
2. Kuwait have now replied (flag C*) but have avoided the oil point. Nevertheless I think we must still assume that, in the context of our overall relations with Kuwait, our oil talks could be affected.
3. Mr Egerton asked me to put the reply to Mr Taylor today for comment. I attach a draft submission.

/ The

The company is pressing the FCO for
a decision; I understand the question
has been under discussion for some
time.

G. Portman
21/1



British Embassy
Thunstrasse 50
3005 Berne

(4)

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12/1

30 January 1974

Energy Dept
FCO

Dear Department

IRANIAN/GERMAN TALKS IN SWITZERLAND

You will already be aware that immediately following the recent visit of the Chancellor of the Exchequer and Mr Walker, the West German Minister of Finance, Herr Hans Friderichs, had talks with the Shah of Iran. No communiqué was issued after the talks, but according to reports in the Swiss press the discussions revolved around the supply of natural gas in exchange for West German assistance in the construction of a refinery, intended to be the largest in the world, in Southern Iran. The gas would be supplied by Iran to the Soviet Union, who would supply an equivalent amount to West Germany. Swiss press reports also say that no agreements were signed following the talks.

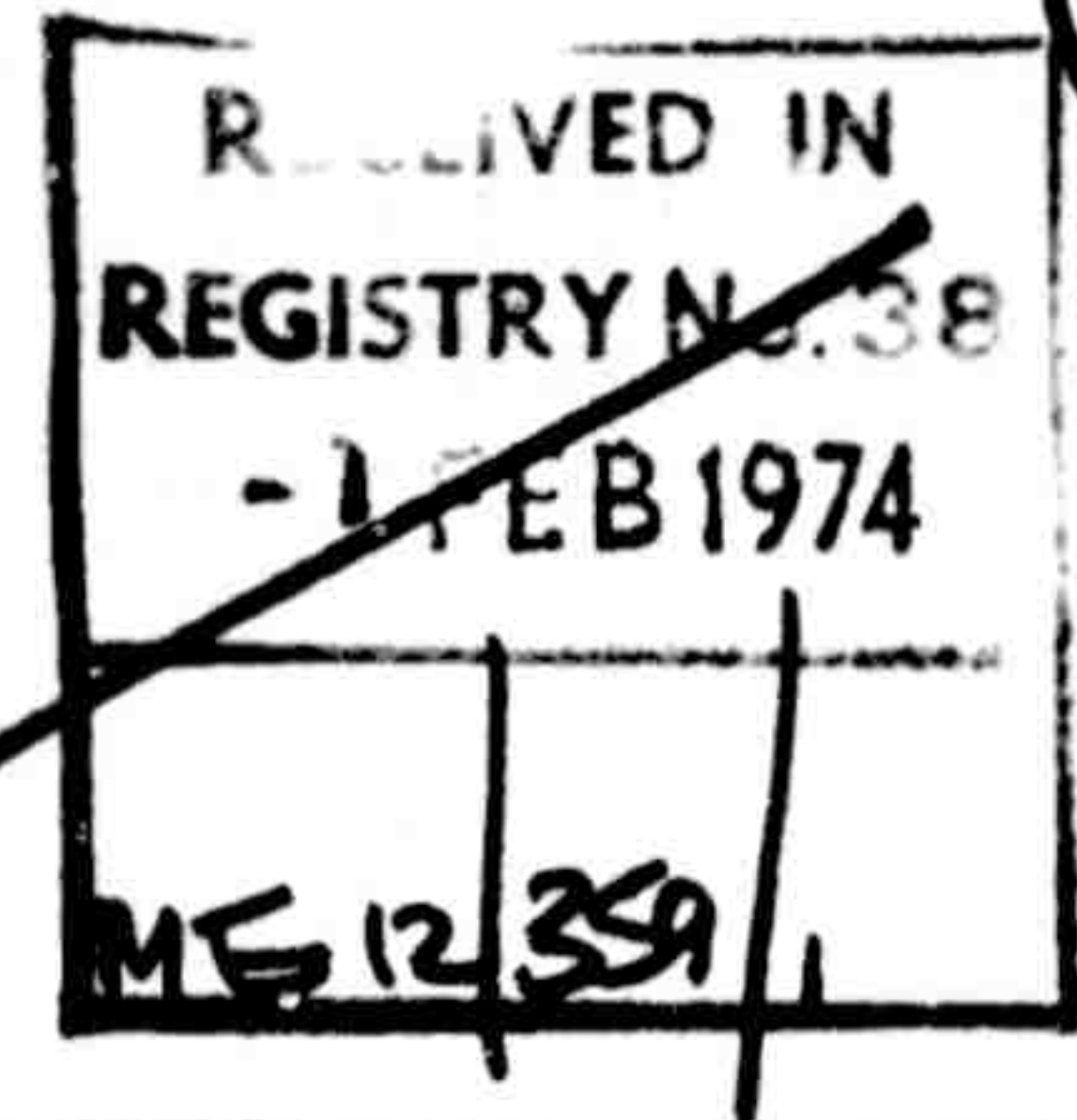
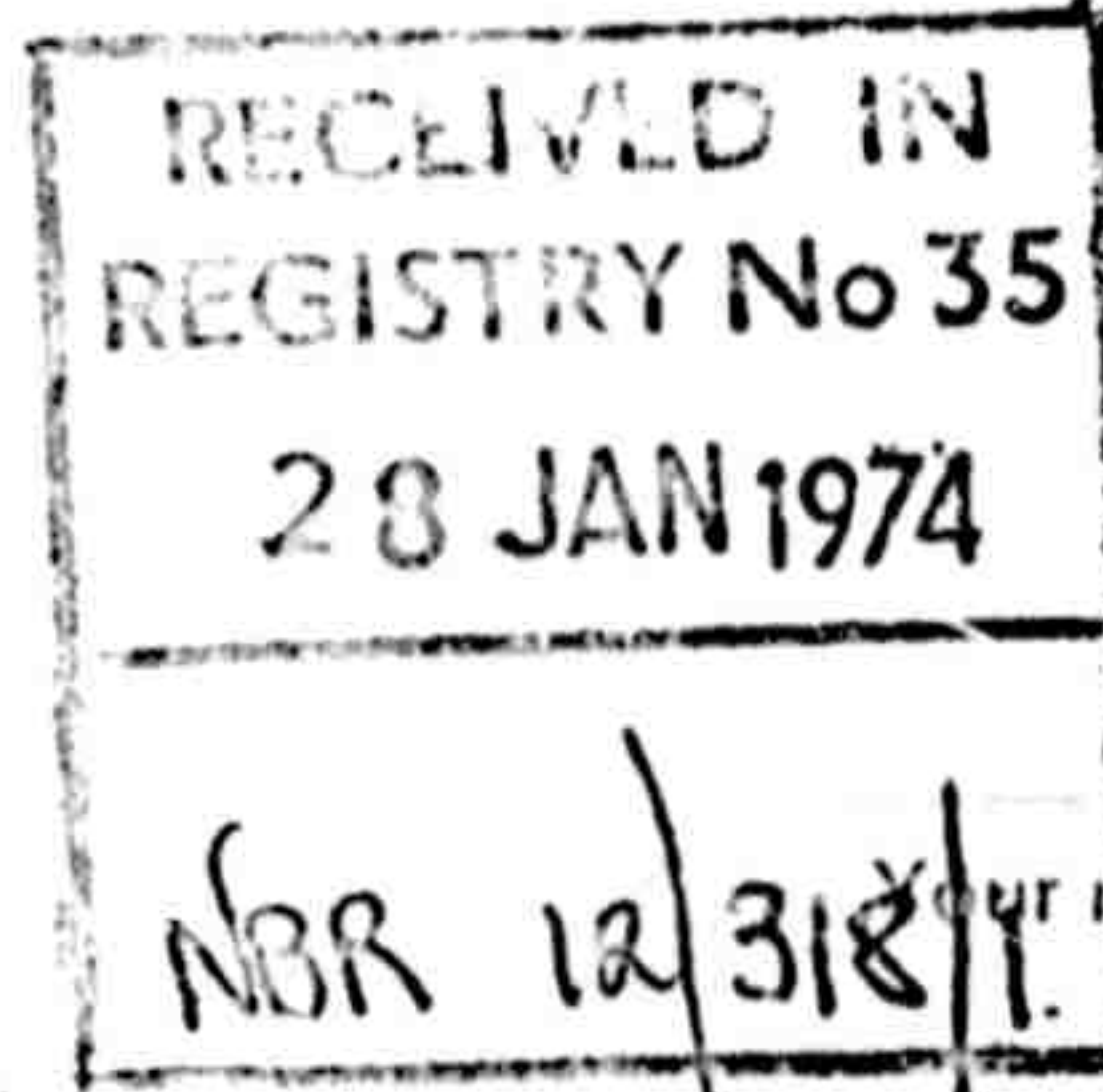
Yours ever

Chancery

RESTRICTED

ROYAL SWEDISH EMBASSY

British Interests Section
BAGHDAD



5

G S Burton Esq.,
Middle East Department,
Foreign & Commonwealth Office,
London.

Our reference

12/2

Date

21 January, 1974

Dear Graham,

IRAQI OIL FOR TURKEY

Copy Mrs Wright - SED
Enter 12/28/1, Gfj En 12/30/1
PAF 29/1

A small Turkish delegation visited Iraq 19 January led by Mr. Akuz Kolman, D.G. of the Economic Department of the Turkish Foreign Ministry.

2. The Turkish Ambassador has made no secret of the fact that the Iraqis have asked for US \$17.00 per barrel for oil this year, and the Turks are a little offended as they feel their friendliness towards Iraq during troubled times should put them in a favourable position on oil price and supply.

3. I do not know if the Turks succeeded in obtaining a better deal.

cc OP dim, D/S
12/31/1
Mr Macdonald
to see
12/31/1

Yours ever
la.

I. McCluney

c.c. Chancery, Ankara

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(2)

(6)

G S Burton Esq
NENAD
FCO
LONDON



BRITISH EMBASSY

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NBR 3/303/1

30 January 1974

cc: [unclear]
[unclear]

Mr Young - to see
[unclear] 4/2

pw
8/2 1/2

from [unclear]

VISIT OF MR NOVIKOV TO IRAQ

1. Ian McCluney's letter from Baghdad of 13 January gave details of Novikov's programme in Baghdad from 7 - 11 January.
2. We gather from our American colleagues that, according to their reports from the Middle East. Novikov's visit was not considered to have gone very well. The relative lack of publicity given to the visit in the Iraqi press (para 6 of McCluney's letter) was matched by almost total silence about the delegation's activities in Soviet newspapers.
3. The assumption among colleagues here, which the Americans are convinced is true, is that the sole reason for the visit was the continuing difficulties over Iraqi oil supplies to the USSR. Our own information from Arab contacts is that Iraqis have cut off at least part of the supply of oil, and are demanding a particularly high price in hard currency. The Americans here have the same information. The French Ambassador told the Ambassador on 24 January, however, that he thought that the Russians had agreed to pay the "new" price. He added, without giving details, that French firms had been discussing with the Russians the supply of oil to France but had found the price "very high". According to a BP representative, to whom we spoke in Moscow this week, the Russians had told BP(France) that they were unable to supply Russian oil in 1974, but had offered Iraqi oil from the Rumaila fields at prices close to the posted price for Middle East oil. The Italians have also told us that the Italian oil company API had a team in Moscow in mid-January negotiating its 1974 oil imports from the USSR, and that they were told that there was no Soviet oil available for them, but that they could buy from the Soviet Union Iraqi oil at \$17 a barrel. They were asked to make up their minds within five days (we have not yet heard what they decided).
4. In short, it would seem that the Russians either have already agreed to pay the new price to the Iraqis, or are now reconciled to the necessity to do so and are doing their best to avoid having to absorb the full increased cost in hard currency by passing certain quantities on to their Western customers.

R B Bone

cc: CRE4, DTI
Oil Policy Division, DTI
EESD

Baghdad
Chancery: Rome,
Paris

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Iraq oil

In dock

7

C. C. POCOCK, C.B.E.

SHELL CENTRE
LONDON

SEI 7NA

31st January 1974.

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ME 12/359/1

Copy

MED
END
TRBD

4/2

*useful.
P.W. (Iraq)
2/2*

J.L. Taylor, Esq.,
Foreign & Commonwealth Office,
Downing Street,
London, S.W.1.

Dear Jock,

I thought that we should keep you advised from time to time of the progress of our European project for oil exploration/agricultural development in Iraq. The attached is a progress note of which Stephen Spain has a copy.

Progress on the agricultural side has been surprisingly swift and all four European sponsors are showing a lot of initiative in responding to the Iraqis' call for quick action. On the other side, which is of course the object of the exercise as far as we are concerned, we have scarcely started serious discussions but, as you will see, the financing now looks quite different in that the Iraqis intend to pay their own way - and they can certainly afford to do so! However, the companies will be at risk on the exploration money in case the Iraqis default on their obligation to repay if the effort is unsuccessful. We shall certainly want to talk to you about political "cover" for this risk. We understand that the other groups are receiving sympathetic noises from their Governments on this matter.

All of us firmly believe that this project points the way to the future pattern of oil development on a multinational rather than bilateral basis in O.P.E.C.-type countries, and we are sure that you will continue to give us your support.

Summary

Michael Foot

IRAQ/EUROPE PROJECT

Day 2 1972
(copy)

1. Start of contacts:

It is thought that the area around Kirkuk in Northern Iraq and the central area between Baghdad and the present producing fields of Southern Iraq, are the most prospective areas left undeveloped in the Middle East and could give Iraq major new reserves to rival Iran or Saudi Arabia. With this in mind, contacts have been taking place since the middle of last year with representatives of the Government of Iraq to try and develop a deal which would give a consortium of European companies the opportunity to explore in the central area of Iraq (the Northern area is not open), and to secure rights to purchase oil discovered.

In concept the deal was visualised as a comprehensive one combining exploration and oil purchase with proposals to assist the industrialisation of Iraq. It was recognised from the start that, bearing in mind the political risk and efforts likely to be involved, a major deal of say 10-20 billion barrels per day reserve potential (say 2 million barrels per day production potential) would be required. However, since Iraq's oil policy seems directed along the lines of licensing exploration only in small parcels of territory which individually would not have that kind of potential, it was thought that this could only be realised via a new form of relationship which would appeal to the imagination of the Iraqis, and be in line with their declared policy to "industrialise" their oil. This could be achieved by linking the exploration/production proposal whereby the European oil companies would acquire purchase rights in respect of a large proportion of any oil produced, with assistance to accelerate the economic development of Iraq.

The European Governments of the companies concerned, Shell, CFP, Veba, ENI, have been kept briefed from the outset because, since a deal could provide guaranteed oil availability to these European countries, it would be logical for the Governments to offer political risk guarantees to cover both the exploration money and the heavy initial outlay on the development of any oil discovered which might amount to as much as \$600m. The companies would be left with the normal commercial risk of the venture.

The German, French and Italian Governments appear to be favourably inclined to such guarantees.

2. Proposals - sounding out contacts made with Iraq revealed:-

- (a) Iraq is interested in this type of deal.
- (b) Iraq tends towards a no-risk and no profit arrangement on oil aspects with reimbursement for any investment if the venture is unsuccessful. Security of supply at commercial prices would be the realised benefit.
- (c) Economic development assistance is required on a very large scale but concentrated in the agricultural field rather than the general industrial sector.

Accordingly, a comprehensive formal package proposal was submitted to Iraq in December providing for:-

(A) On Oil Matters

- (1) The Group of European oil companies to carry out oil exploration, development and production in specified and large prime areas under the supervision and direction of INOC.

(ii) Minimum expenditure on exploration to be \$60m over a 5 year period. In the event of unsuccessful exploration Iraq to reimburse total expenses plus a commercial interest.

(iii) In the event of successful exploration, the exploration and initial development expenditure plus a commercial interest, to be repaid by INOC within 5 years from the start of exports.

(iv) The European Companies to carry out the operations for INOC who would finance capital expenditure and operating costs from the start of exports.

(v) The European Companies to have the right to purchase 90% of the oil produced at market prices together with some financial reward in consideration of services rendered.

(vi) The contract to be for 20 years' exports preceded by an exploration period of 5 years maximum.

(B) On Agricultural development - main elements:

(i) The Group of European Companies to arrange for European technical resources and know-how to be put at the disposal of Iraq for the development of Iraq's agricultural potential.

(ii) The objectives:

(a) to establish with Iraq technical schemes aimed at promoting the social and economic development of Iraq's agriculture and to assist in their implementation.

(b) to make Iraq independent of outside technical assistance by training local personnel.

Simultaneously, as part of the proposal, discussions were held with the appropriate Iraqi authorities to assess the potential for providing this assistance and the types of projects requiring attention in the agricultural field. The main conclusions which were drawn were:-

(a) Iraq intends to finance all agricultural projects - does not need outside financial assistance but requires considerable help in terms of expertise, supervision, organisation, management and training.

(b) Iraq is concerned at the rapid growth of her oil revenues and is seeking their rapid transformation into agricultural development.

(c) Iraq's objective is a "crash programme" of implementation of a whole host of identified and to some extent engineered projects.

(d) The extent of the follow-up activity by the companies on the various agricultural project possibilities identified will be an important factor in determining the size of any oil deal.

3. Follow-up:

In the immediate future, the Group of Companies involved are taking a series of steps to provide early assistance with the execution of the agricultural projects and are aimed at proving to the Iraq Authorities that the Companies

are indeed serious. They involve:-

(a) To provide co-ordination and drive for channelling European expertise to Iraq. The formation of an Agency, representing the Companies, which will supervise a Bureau, based in Paris. Its purpose is:

- to arrange, co-ordinate and advise on the availability of European expertise;
- to ensure that all assistance made available to Iraq is of the highest quality
- to provide contact as necessary with the European Governments involved.

Preparations are already in hand for forming the Agency and for recruiting a suitably qualified Head of the Bureau.

(b) To ensure availability of adequately qualified personnel, each Company has taken the responsibility for putting together one or two suitable teams, each one of which would have a specific project allocated to it.

The present plan - that 5 teams should be sent out by end January 1974 with a further team being sent in February, for the following schemes:-

irrigation and land development in the Kirkuk area (some 400,000 Hectare)

UK. irrigation in East Gharraf (approx. 400,000 Hectare)

irrigation projects in Ishaqi or Dalmaj (approx. 100,000 Hectare)

development of a state farm for livestock

UK/Italy schemes for general livestock development

development of the Iraqi poultry industry

Yet a further scheme of major importance to Iraq, on which work will commence, but for which, as yet, no team can be sent, is the Mosul Dam. Because of the magnitude of this project - estimated at some \$400million - and the desirability that some part of the project falls to each of the countries involved, discussions will first be set up in Europe on the best way to organise implementation.

All the above-mentioned schemes and also the others indicated by the Iraqis have a considerable potential for generating employment and foreign exchange.

21.1.74.

Mr Lockhart ⁽⁸⁾
6/2

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2
6/2

Mr Wright
(MED)



cc: Mr Weir o.r.
✓ Mr Egerton (Energy Dept)

1. When Mr Walters MP called on Lord Balniel this morning (I have minuted about other aspects of the conversation separately) he raised the possibility of the United Kingdom entering into some bilateral deal with Iraq involving oil. He said he had heard from an unnamed friend with very powerful contacts in Iraq that the Iraqi government were interested in an oil/industrialisation arrangement. Before taking this any further he wished to know whether HMG were in principle interested.

2. Lord Balniel said that everything depended on the details and he would be grateful if Mr Walters could find out rather more about the Iraqi idea, though he should be careful not to commit HMG in any way.

5 February 1974

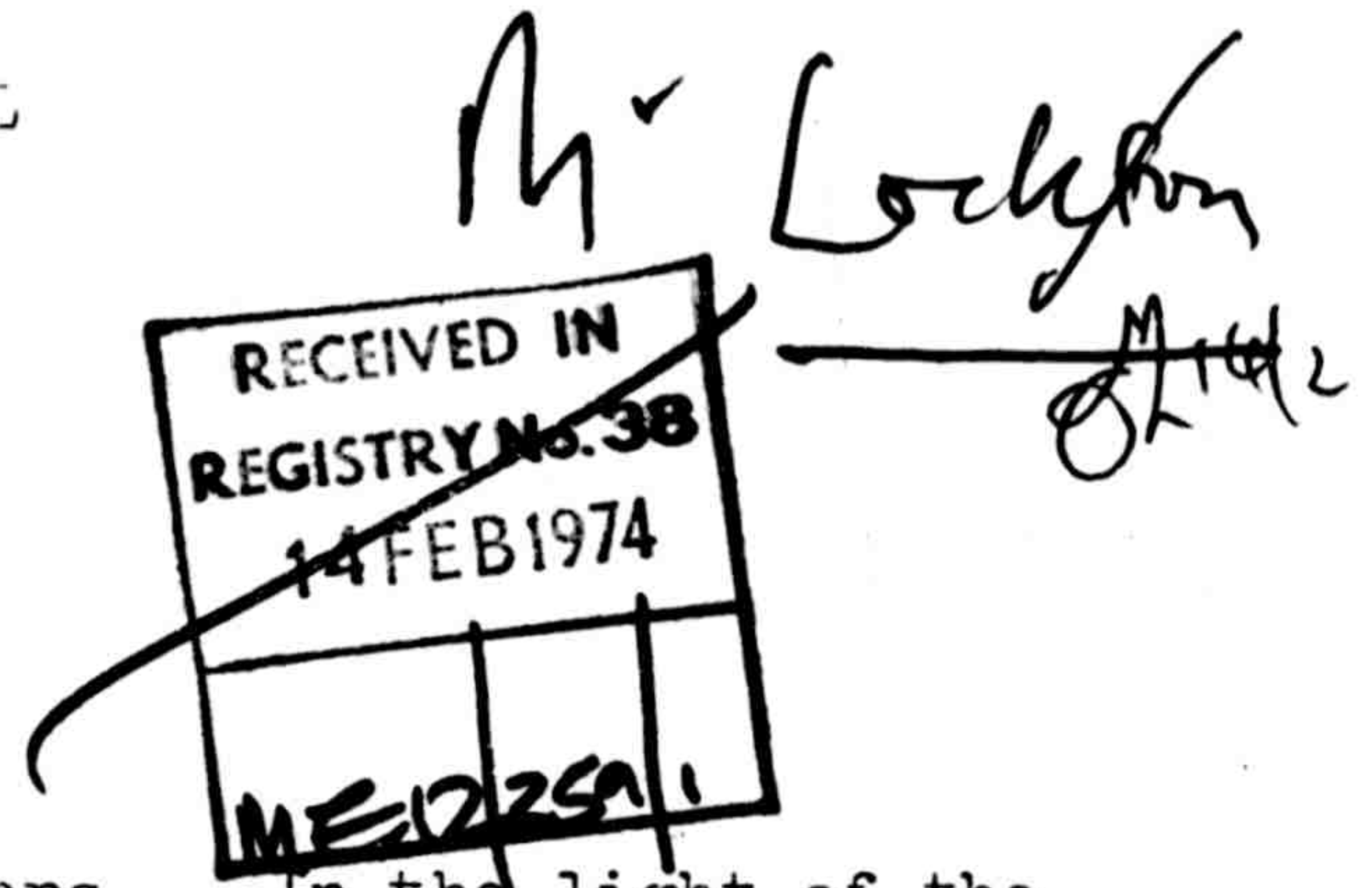
A J Coles
PS/Lord Balniel

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Mr. Le Quesne
Private Secretary



UK/IRAQ RELATIONS

My submission of 8 February refers. In the light of the Secretary of State's comments on the submission, as amplified by Washington telegram No. 543, I now attach a revised draft telegram to Paris containing the lines on which H.M. Ambassador should reply to the Iraqi Chargé d'Affaires' approach.

2. We have since received Baghdad telegram No. 42 advising us that the Iraqi Foreign Minister will be paying a private visit to London on 13 February in connection with medical treatment for his wife. I would have suggested that we take the same action with him as we took with General Ghaidan, the Iraqi Minister of the Interior, who visited London last August, when Mr. Parsons and I paid a courtesy call on him. However, in view of the Secretary of State's reservations on my earlier submission, I assume he would not wish similar action to be taken at this time with the Iraqi Foreign Minister.

P.R.H. Wright
Middle East Department

12 February 1974

Copies to: PS to the PUS
Mr. Parsons, POD
Mr. Cloake, TRED
Mr. Egerton, Energy Dept. ✓
Mr. Craig NENAD
PUSD
PCD

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Department MED
Drafted by
(Block Capitals) G.S. Burton
Tel. Extn. MA 270

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[TEXT]

YOUR TELS. NOS. 179 and 190 (paragraph 2): DIPLOMATIC
RELATIONS WITH IRAQ.

~~These~~ expressions of Iraqi interest in the resumption
of relations are encouraging, and I have considered the
possibility that a senior FCO official might accompany
the forthcoming Committee for Middle East Trade mission to
Baghdad to pursue discussions with the Iraqis. I am,
however, concerned that discussions with the Iraqis before
the election might leak, and therefore propose to limit
action at this stage to arranging for Lord Denman, the
leader of the COMET mission, to be briefed about the Iraqi

/move

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move and to do no more than report any Iraqi overtures which might occur during the visit.

It is clearly important, however, to present our reply to the Iraqis in such a way that they will not feel their approach has been rebuffed and to go on record as recognising their approach as an initiative on their part. Please therefore arrange for an oral response to be conveyed to the Iraqi Chargé d'Affaires on the following lines.

3. HMG are grateful for the suggestion of the Iraqi Government that discussions should take place with a view to resuming diplomatic relations between our two countries. The suggestion that a Minister should visit Baghdad is much appreciated but the Iraq Government will no doubt realise that preoccupations over the period before and after the General Election on 28 February make it impossible for Ministers to consider any visits abroad in the near future (for his information a number of Ministerial visits have already been cancelled or postponed.) However, bearing in mind the Iraq Government's stated interest in discussing economic matters, HMG suggest that the opportunity of the forthcoming mission planned for 22-25 February and led by Lord Denman, the Chairman of COMET, could be taken to explore the lines of future commercial and economic cooperation between our two countries. Lord Denman will be aware of the details of our contacts in Paris. HMG would be glad to know whether this proposal is acceptable to the Iraqi Government.

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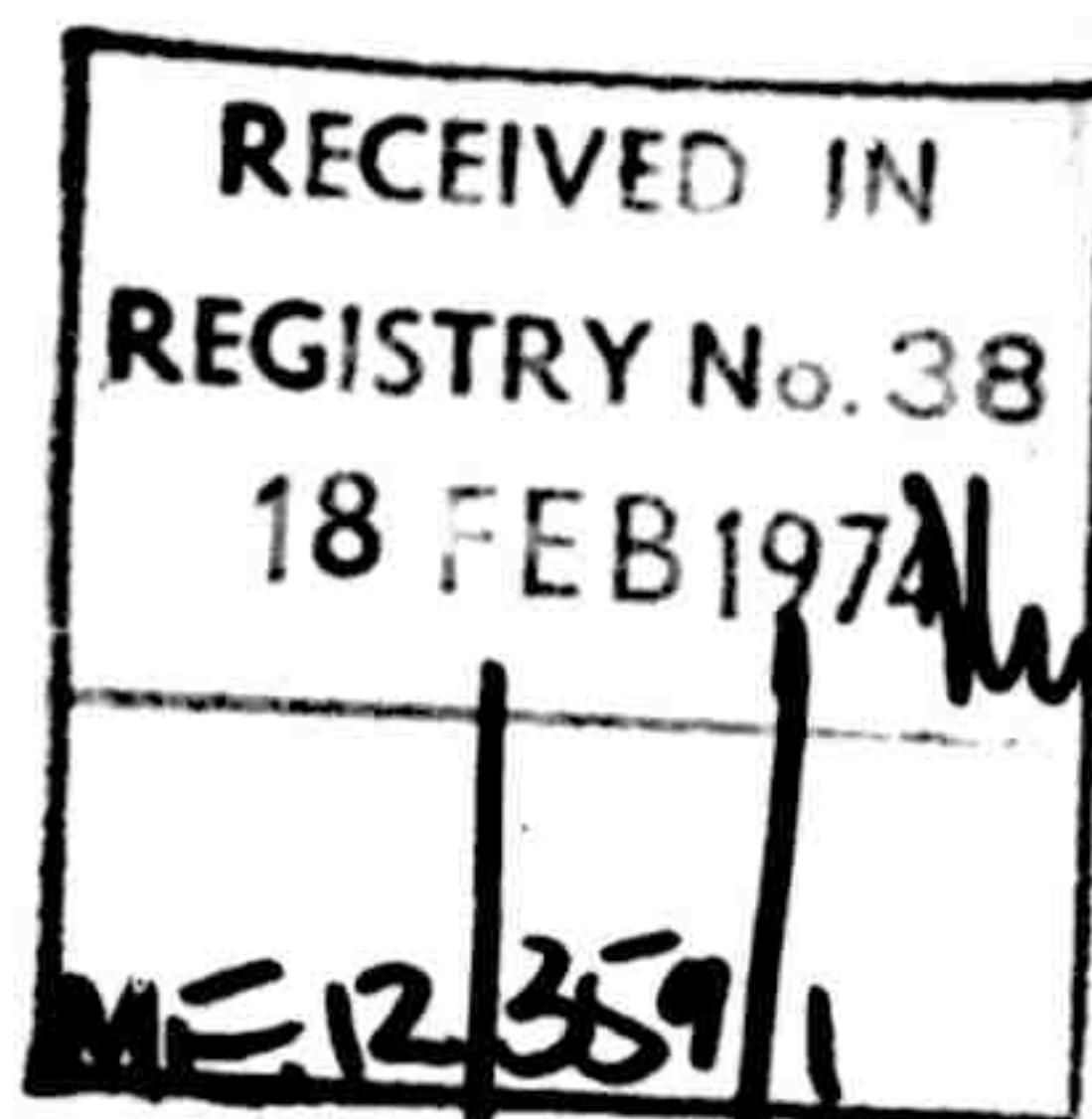
4 For your own information, you should know that the COMET Mission will also include Sir Richard Beaumont of the Middle East Association, a former Ambassador in Baghdad.

5 You should give the details of the message and background to the French. If they show signs of regarding our response as lukewarm, given their earlier assistance in sounding the Iraqis, you should emphasize that the timing of the Iraqi approach presents difficulties for us but that we shall keep the question under review and hope to be able to follow up the Iraqi approach within two or three weeks.

NOTHING TO BE WRITTEN IN THIS MARGIN

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ROYAL SWEDISH EMBASSY
British Interests Section
BAGHDAD



Your reference

Our reference 12/2

Date 15 January 1974

G.S. Burton Esq.,
Middle East Department,
Foreign and Commonwealth Office,
London.

Dear Graham

Intention:

? e.e. Energy Dept
Chambers in
Kuwait
JSC

Mr Williams 21/1
Mr Young 18/1
24/1

Which are Iraqs "friendly" countries?

In Baghdad the term friendly has been traditionally associated with the Eastern Bloc countries. They are the friends; the Arabs are brothers, and the rest are imperialists or undefined.

2. Since the war and the oil cutbacks the term "friendly countries" has taken a new meaning. Iraq has been careful in its definitions to be none too precise about who is friendly and who is not. During the war Western Europe was "neutral", and gradually became "friendly", by comparison with USA. When the friendly countries were listed by Arab Foreign Ministers, as a group or individually, Iraq did not disagree, but simply kept her council.

3. Among Western European countries, Iraq hailed France as having the right attitude, but no other European country has been specifically mentioned. As far as I can trace, the nearest the Iraqis have come to naming friendly countries is the interview with "Al Anwar" of Beirut when Hammadi said...

"Iraq is now shouldering the task of solving the problems which friendly countries face because of the cutback by supplying them with national sector oil. Numerous delegations from friendly countries have arrived in Baghdad for discussion and negotiations. Delegations from Spain, Austria, Brazil, Poland, Tanzania, Pakistan, India and Bulgaria have come to us. All these countries are friendly and have stood at our side; but, despite this, they are now suffering a dangerous crisis. Iraq is trying as far as its limited capacity permits to solve their energy shortage problems."

4. Though I missed it at the time, I should also record the editorial of the Baghdad Observer of 22 December. It said Iraq "has always been prepared to strike at foreign interests when any sign of aggression against the Arab Nation is shown by any state. With the nationalisation of PARTEX the only foreign shares remaining in BPC are those shares held by pro-Arab countries." This is the only time I have seen Britain called pro-Arab in the government press, even indirectly.

Yours ever,

lan

(I. McCluney)

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REGISTRY No. 38
19 FEB 1974

Mr P H R Wright (Middle East Department)

ME12/359/1

IRAQ - RESUMPTION OF RELATIONS

1. I read with interest of the recent Iraqi overtures to HMG beginning with Paris telegram 179 of 8/2/74. In this the Iraqis proposed a delegation, including an economist, visiting Iraq in the near future. Whilst I fully understand our limited response (as in our telegram 83 to Paris of 14/2/74), could I make two points from an economic viewpoint.
2. Iraq's oil potential is important; Energy Department's newsletter no 4 stressed this aspect and it could be a latent factor in spanning the gap before North Sea comes ^{fully} onstream. This aspect has already been recognised by the Japanese.
3. If a mission to visit Iraq were conceived, natural subjects for discussion would be bilateral deals and Iraq's economic development which by their nature have economic aspects. Economists Department have been involved in recent debates on bilateral deals with CPRS, et al, and would be very willing to offer professional advice within the FCO on this subject.
4. I should therefore be very grateful if you could keep me posted as to developments on this front, particularly on any forthcoming mission and the results of Lord Denman's COMET visit.

Adrian Smith

Adrian Smith
Economists Department

18 February 1974

Copy to Mr Egerton, Energy Dept ✓

Mr Lockyer

An irritating minute.
Mr Smith has no conception
of the difficulties of doing
business with Iraq. c 9/2

Iraq - Oil Policy

Mr Donovan.

Oil Prices

c.c. G.S.Burton

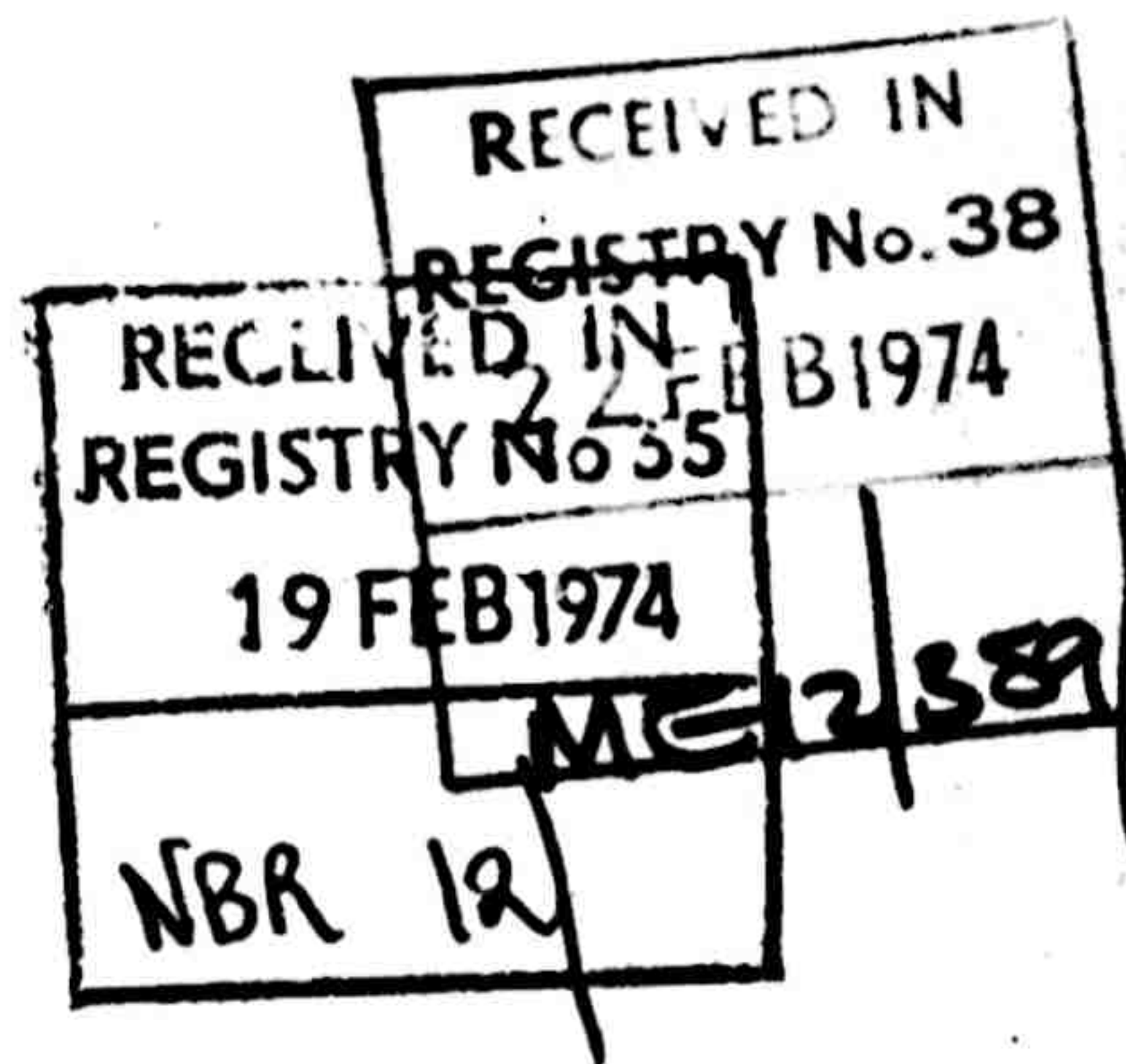
FCO.

From talks with Lowrie and others the following asking prices for Iraqi oil emerge:

For Turkey - from Baniyas	\$15.00/barrel
For Austria -from Med	\$18.50/barrel
For India -from Basrah	\$10.00/barrel

I have no indication that any of these prices have been accepted.

I. McCluney
10 February 1974



ME 12/381/1

EXTRACT. BBC BROADCASTS

18/2.

Energy: In Brief

The May 1973 Iraqi-French oil contract (Text) Baghdad: The Revolution Command Council has approved an amendment to a Bill ratifying the oil prospecting, production and marketing contract concluded between the Iraqi National Oil Company (INOC) and the French ERAP in May 1973. The preamble of the new Bill provides that "in view of the technical reasons which caused a delay in signing the production and accounting documents by the INOC and ERAP, and so that the period of six months should be consistent with the provisions of the supplement to the contract approved last year, the new ratification Bill has been enacted". It should be recalled that in accordance with the oil-prospecting and marketing contract, the Abu Gharib and Bazarkan oilfields in southern Iraq will begin producing and exporting oil at a rate of 8,000,000 tons a year as soon as the deep water port is constructed in Iraqi territorial waters in the Arab Gulf. The contract also includes the INOC's approval that a consortium of Japanese companies share part of the rights and interests of the French company in accordance with the contract. (Iraqi News Agency 0910 gmt 18 Feb 74)

(14)

RECEIVED IN	
REGISTRY NO. 38	
28 FEB 1974	
ME 12	389/1

G S Burton Esq.,
Middle East Department,
Foreign & Commonwealth Office,
London SW1.

12/6

28 January 1974

Mr. Laffan En D

page 2 1/2 you copy
455 4/2

INFORMATION ON OIL SUPPLIES

Due to the classification of Stephen Egertons letter 2JC 10/408/2 of 10 December 1973, I regret that I did not receive it until today 9 January. My answers to the points raised in Annex A are contained in the following paragraphs:

2. Cutbacks and Embargoes: Iraq has not co-operated with other Arab states in cutback now has a legal embargo been imposed. The press welcomed the embargo of USA and Holland at the time and Hammadi has said publically that Iraq is using its oil weapon and boycotting these two countries (Beirut 19 December). The policy of the Basrah Petroleum Company (BPC) is not to ship to potentially embarrassing destinations. The ultimate voices in matters of cutback and embargo are those of Saddam Hussein and President Bakr. They would need to obtain RCC agreement for any oil policy changes and in any case could not act independently of each other.
3. Practical execution of oil policy lies with Oil Minister Hammadi and Under Secretary Chelabi.
4. Iraq is, as far as we know, fulfilling its existing agreements for the sale of nationalised oil, and continues to allow BPC to fulfill its agreements with the oil companies. There is no special favouratism operating, except in so far as BPC are presumably acting unfavourably towards their customers in restricting them to destinations rather USA or Holland.
5. Daily Loadings -
 - (a) Information on daily loadings from Khor Amaya is available from IPC in London who are informed daily by telex (Basrah - Kuwait - London). They hold a forward schedule for each months anticipated loadings by destination. Since they also load nationalised oil at Khor Amaya, and the amount will increase during the next six months, the amount and destination of that INOC oil is also known in London.
 - (b) What BPC cannot tell us accurately is the quantity of nationalised oil loaded from berths in Fao, though their estimates of this must be pretty good. In any case the quantity is small.

/(c)

CONFIDENTIAL UK EYES "A"

(c) Tripoli and Baniyas loadings are more difficult to ascertain. If these terminals still operate with any IPC management personnel, figures should be available in London. Otherwise it might be worth asking Beirut or Damascus for their views on the best source of information. Syria and Lebanon must take a close interest in quantities pumped and loaded since they need to check the figures for their oil transit dues.

6. Participation is hardly worth discussing for Iraq. The latest position in BPC is that BP, CFP and British Shell (Sic) are the only remaining shareholders, and the Iraqis regard these shares as being in the hands of friendly countries. Iraq was offered participation in 1972 and that offer still stands. But they will no doubt consider nationalising the remaining shares when the BPC expansion programme is nearing completion. Their declared policy is to nationalise, as the best means of controlling oil production and profits. Nationalisation of IPC has worked well and they have no reason to doubt their ability to run BPC on the same lines.

7. As to the real intentions of OPEC and OAPEC over price levels, the situation has changed dramatically since Egerton wrote. We have no special information here which would help the pundits in their analyses, but President Bakrs letter to President Nixon suggests that Iraq regards the price as far too low in the long term. Nevertheless they argue that the recent price rise was not handled to the political advantage of the Arabs, since countries favourably disposed towards arab political objectives have been alienated.

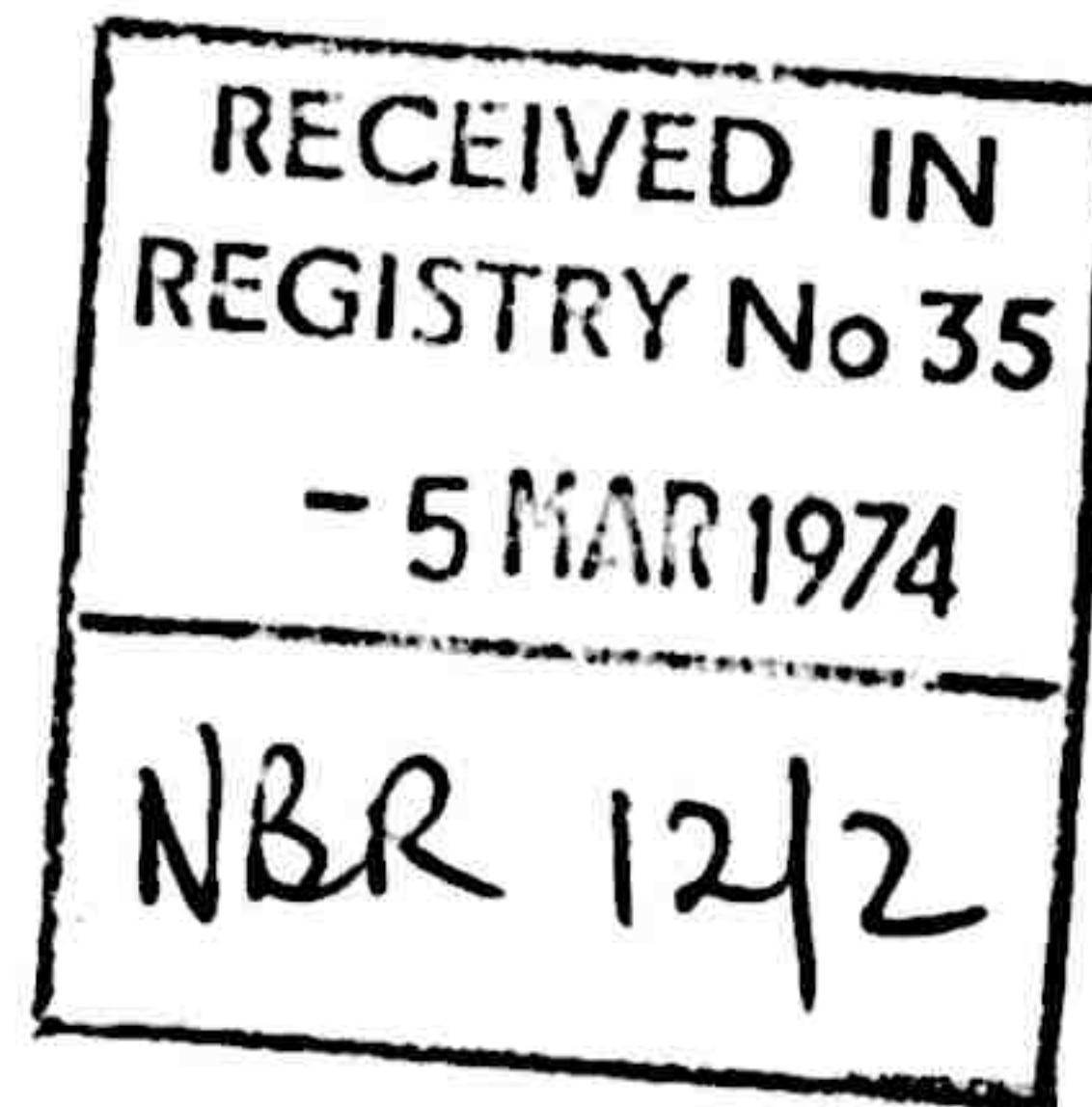
I. McCluney

CONFIDENTIAL UK EYES "A"

RESTRICTED

ROYAL SWEDISH EMBASSY

British Interests Section
BAGHDAD



15

G S Burton Esq.,
Middle East Department,
Foreign & Commonwealth Office,
London.

Your reference

Our reference 12/2

Date 24 February 1974

Dear Graham,
IRAQ - OIL POLICY

*Copys with encl to End
Enter 168 4/3*

Oil Minister Hammadi's statement to the press in January has already been widely reported and used by Stephen Egerton in his latest Oil News letter.

2. For the record, however, I enclose a complete translation prepared here. Perhaps the most interesting point is the failure of Hammadi, given the opportunity at the end to express Iraqs appreciation of Russian backing in times of difficulty, to say anything remotely friendly about Eastern bloc assistance in oil development.

3. I notice that there has been some speculation (e.g. R B Bries letter of 30 January) about the prices the Russians are being charged for Iraqi oil. Pierre Cerles rumour is that Iraqs offer prices to USSR are:

ex Basrah \$17 a barrel

ex Med \$19 a barrel

The Basrah price must be particularly galling for them, since they have in the past regarded North Rumaila as virtually their own oil field.

*Yours ever
Ian*

I. McCluney

Translation from "Oil and the World" magazine for the month of
January 1974.

In an interview with Dr. Sadun Hammadi, Minister of Oil and Minerals and Chairman of the Board of Administration of the Iraqi National Oil Company a few days ago, a journalist submitted a number of questions concerning certain basic matters connected with the Iraqi oil, and the Minister's replies, which were explicit, accurate and important, are published hereinbelow.

Q. What is the total output of Iraqi oil by barrels per day, and what was the output last year, and what is the determined increase for the future, in 1975 or 1976 for example ?

A. The present output for this year amounts to 2,100,000 barrels per day. This amount represents an increase of 43% more than the average output per day for 1972. In 1972 the average daily output went down to less than 1,500,000 barrels per day as a result of the large decrease effected by IPC from the Northern oilfields which resulted in the nationalisation of its operations in Iraq in June of that year.

Our present plan aims at increasing the output so as to become more than 3,500,000 barrels per day with the advent of 1975.

Q. What is the number of tons which will be available with the INOC for direct sale in 1973 as a result of the expansion of its ownership of oil production ?

A. The INOC started to produce oil from its Northern oilfields (such as the Northern Rumails oilfield) in April last year. Its output from the field, which at present is limited by the existing Port facilities at Fao, amounts to 5 Million tons for 1973. The INOC is also marketing the oil produced ~~the~~ from the nationalised oilfields in the North, which amounts to about 60 Million tons in 1973.

Q. What are the measures which you intend to take for increasing the trafficking of this oil? Do you, for example, expect to construct any joint refineries in any facilities after the output ? Where will these be constructed ? Are you closing a number of long-term deals aiming at selling this oil, and do you feel that probably within another decade of time the existence of world oil companies make become not necessary when the national oil companies would undertake most of the sale directly ?

- A. On marketing our oil, we have pursued a policy of direct sale to our clients and we have been able to market all the oil available with us without resorting to joint refineries. Our policy is based on the refining of a part of the output of our crude oil within Iraq for the purposes of exportation. Up to this date, our refineries had been constructed for ~~the~~ meeting the requirements of our local consumption. New refineries will be constructed in Iraq for the purpose of exporting oil products. If, however, suitable circumstances call for the establishment of joint refineries outside Iraq, other Arab countries will be given priority in this connection and then this will be followed by other members of the oil exporting countries organisation. As to the marketing of our oil, we do not encourage the conclusion of long-term deals, although we undoubtedly promote and strengthen the existence of long-term relations with clients from countries which share us mutual benefits and good-will.
- As to the role of world oil companies in future, that depends on the role to be played by these companies in the orientation of themselves according to the change of circumstances and their respect of the national interests of the producing countries. In as much as the matter concerns Iraq, our policy is to place the oil sector in the service of the economic development of our country and providing the bases for its industrialisation. Experiment has taught us that the realisation of these aims do not come and must not come from foreign companies. We have our own National Oil Company and on this Company falls the responsibility for the development of a ~~comprehensive~~ national industry comprehensive with national economy. I am in a position to add that every member state of OPEC has established a national oil company of its own.
- Q. Are you worried through the appreciation of the prices of crude oil caused by competition arising from ~~the~~ other energy sources, such as the Colorado stone, Athibaska sand, and coal ?
- A. The prices of oil were lower than those of other traditional energy sources. Since they are still lower, its comparison will be more in relation to the prices of the probable new ~~energy~~ sources. Such being the case, even if the prices of crude oil only appreciate, they must appreciate in a large margin before the new energy sources mentioned become really

oil are not increased in relation to the prices of substitute energy sources. These increases took place due to the monetary inflation and the continued appreciation of the prices of manufactured products exported by the industrial countries. These elements bear an effect on the prices of oil and also on the prices of other sources of energy and lead to about the same or in fact more increase in cost and prices. We are, therefore, disturbed in fact from the appreciation of the prices of our imports and must take preventive measures to prevent more deterioration of the purchasing power of the oil royalties. However, we are not disturbed from the existence of other aspects of energy sources, because such competition will lead to show the cheapness of our oil which was sold throughout the past years.

Q. Do you welcome the arrival of American oil companies to carry out explorations in Iraq on the basis of an agency contract? And do you find any form for cooperation which would permit foreign companies to work in Iraq? Are there any American technical oil equipments which you would favour to purchase ?

A. The general situation with regard to the possibility of the existence of cooperation with American companies collectively depends on American policy towards the Arab nation - a policy which has continued to be inconsistent with the ~~rights~~ legitimate rights and interests of the Arabs. Private foreign companies, including the American companies, which wish to work in Iraq on the bases of commercial competition within mutual interests will be welcome in Iraq. The scope of cooperation is not confined to that of oil only, but includes other spheres to which the country is in need, such as experts and ~~the~~ industrial products required by economic development.

Q. Your government is increasing the output to a very ~~large~~ large extent. How do you tally between this and your policy of using the oil as a weapon in the Arab-Israeli confrontation? In order that this weapon may be effective, should not the output of oil be limited ?

A. Let me explain to you that this was not merely a political desire on our part to use the oil as a weapon in what you called the Arab-Israeli confrontation, but was a conditional necessity. Any nation facing the danger which the Arab nation is facing would have done the same. Being a part of the Arab nation, Iraq is undoubtedly utilising its oil output and its oil royalties for the Arab cause of Palestine. These considerations have previously dictated upon us the conditions of our oil policy and the attitude of our oil exports and commercial relations. On this bases, there is no connection between the use by us of the oil as a weapon and that of the increase of the output of our oil. As a matter of fact, the increase in our output of oil is not very large. Iraq is considered one of the richest countries in the area in its contents of oil reserve. In spite of that and during the past 10 years the average increase of annual output of oil was the least in the area, i.e. less than 5%. The present determined increase is to make good, at least partially, the ~~effect~~ accumulated effect which accrued from the productive policy pursued by the oil companies, such as the IPC, before the nationalisation of its operations.

Q. It is said that your government is studying the construction of a new refinery with a capacity of 10 Million tons in the South of Iraq. Do you intend to construct this refinery on your own account or have you foreign partners who wish to do so ?

What about the Japanese ? — A. The refinery will be constructed and administered by Iraq alone.

Q. Will you be good enough to elucidate the 'picture' relating to the new pipeline. I learn that a French company is assisting you in expanding the Kirkuk-Mediterranean line and to raise it to 70 Million tons per annum in lieu of 60 Million tons, and that you have allotted 400 Million dollars for the construction of a 1000 kilometer pipeline to "Dortyol" (✓) passing through Turkey and of a capacity of 25 Million tons starting from 1977 in addition to the construction of a third line from Kirkuk to a port on the Arab Gulf. Is this correct ?

A. Yes, this is true. I have already said that the present average output of the INOC is limited not because of the productive ~~energy~~^{capacity} from the field but because of the limited capacity in the port facilities. The same thing also applies to the productive capacity from the Northern fields which is dictated by the limited capacity of the present pipelines passing to Syria and the Lebanon. The transport facilities from our fields in Kirkuk to the points of export on the Mediterranean or the Arab Gulf have caused us real problems. Thus, immediately after the nationalisation of the operations of the IPC in Iraq, we started to plan for the expansion of the capacity of the present pipelines and port facilities and the construction of new installations as a part of a short and long-term plan intended to expand the output. Pipelines differ from tankers because they are not movable or flexible. Flexibility in relation to us means ensuring the continued flow of our oil to the markets. Such being the case, they are not less important than the increase of the capacity of output and facilities. Our plan for a new network of pipelines aims at increasing the capacity of transportation and making flexibility available. Such being the case, the Kirkuk-Banias pipeline is being expanded in order to strengthen its capacity and raise it by an additional 10 Million tons. It will be possible to effect further expansions in the capacity of output from our Northern fields and to effect development in new fields for the purpose of production. Such being the case, a new 900 kilometer line will be constructed. It will pass through Turkey and will have a maximum capacity of 35 Million tons. There will also be constructed a new double strategic pipeline, 655 kilometers long, and will link the Northern fields to the Southern ports of Iraq. The capacity of this line will be 44 Million tons in the direction of the North, and 50 Million tons in the direction of the South. The contract for ~~XXXX~~ the construction of this line will be signed very shortly. As a part of the same plan, a deep port in the South of Iraq will be built for the account of INOC. It will have an export capacity of 80 Million tons per annum and will have facilities for receiving tankers

of a capacity of 350,000 tons. The contract for the construction of the sea facility has already been signed.

Q. To the side of the expansion programme which you are undertaking, what is the extent of the change in the 'picture' of oil in Iraq in comparison to the condition which prevailed before the nationalisation of IPC ?

A. Our oil resources are limited and exhaustible. It is necessary to employ the oil sector as a bases for the industrialisation of our economy and the setting up of new productive resources. Such being the case, our oil royalties must be employed for ensuring the plans of the economic development and for expediting the industrialisation of our agriculture and other economic sectors. In the past when the petroleum companies controlled the production and export, the companies were in a position which enabled them to control the quantity of our royalties and ultimately to control the sphere of our development plan. The companies were also in a position to obstruct or delay the implementation of our plan by obstructing or reducing production. This is what took place actually in 1972 when the IPC effected a large decrease in the quantity of production from the Northern fields which led to the Government freezing several development projects. The acute decrease in production which took place in 1972 led to an unbearable condition, and the Company placed its interests and tactics in determining the quantity of production in lieu of the national aims of the country and its economic requirements. The Government had no alternative but to take steps for ensuring the realisation of its economic plan of development and to achieve the aims thereof. The condition now differs from what it was in the past. The requirements of the economic development plan at present decided the average production of oil and the amount of our oil royalties. On the bases of the fact that 65% of our oil output comes from the national sector, we are in a position which enables us to make the oil sector supplementary on a large scale in the national development and to link the operations of exploration, production and marketing to the execution of the

the world markets.

Q. Will the INOC carry out its expansion programmes by itself or will it ask for the help of other foreign companies in the form of service contracts, and will it invite American companies or accept (? them) as partners in such contracts ?

A. The INOC is completely responsible for the exploration and development of oil resources in Iraq, excluding the lands allotted to BPC. Such being the case, when the INOC carries out explorations and drillings throughout the country, ~~they~~ it invited other companies to enter into contract service with them for the purpose of expediting the operations of discovery and the production of oil in determined areas. There are already three foreign companies operating in Iraq as contractors for the INOC, namely, ERAP, PETROBRAZ and the Indian National Oil and Gas Company. The INOC has announced the opening of six new areas the total area of which amount to about 48,000 kilometers and the tenders therefor are accepted up to the end of the present year. These areas will be awarded on a competitive bases in accordance with service contracts. A company which possesses bigger efficiency and is more useful to the INOC will have a better luck and will be awarded the required area. These service contracts guarantee to the contractor the refund of the exploration expenses when it succeeds, and crude oil will be made available to it for a long-term and on a special price. It will also guarantee to the contractor the average production and the price to be paid, since that forms a part of the tenders, and ultimately negotiations will take place with the INOC before signing the contract of service.

Q. At the recent meeting held by OPEC in Vienna, Decision No. 160 was taken. The decision referred to the "un-realized profits" obtained by the oil companies. Will you be good enough to elucidate this more widely. And is there are any indication of the proportion of amount of this "un-realized profits".

A. The Tehran Agreement and other relevant Agreements put into operation a new "taxation system" depending on a determined proportion between the profits of the companies accrued from the realized sale of crude oil and petroleum products, and between that collected by the Government of the producing country. Since the beginning of the present year, economic

and commercial circumstances connected with the crude oil market and petroleum products have large changed. Profits accrued from the realized sale of crude oil and petroleum products have increased. The financial proportion under the Tehran Agreement has largely changed in favour of the oil companies and at the expense of the producing countries. This increase in profit did not take place in view of any new production element offered by the companies or any new service rendered by them, while the companies bore no ~~new~~ expense for that. Such being the case, this revenue becomes an "un-realized profit" gained by the companies. As to us, it consists of a plain appreciation of the value of our lost wealth, i.e. crude oil. The amount of this appreciation can be ascertained subjectorily. However, whatever the condition may be, it must be refunded to the owners of the lost wealth, namely, the producing countries.

Q. A last question, what is your reply to those who claim that Iraq has been allowing, more and more, the Russians to administer the production of its oil, a matter which means that you are substituting ~~a~~ coloniser for another ?

A. The replies which you have obtained to your previous questions elucidate to you that those who say so are either those who are not acquainted with facts or that they are not concerned with facts. If you wish to visit the Rumaila field, we will welcome your visit and will be able to arrange a visit to you at any time suitable to you. At any rate, the oil produced from the national sector is purely under the disposal of INOC.

(16) & (17)

See

ME 12 | 324 / 1



Energy Dept.

With the compliments of

M.E.D.

FOREIGN AND COMMONWEALTH OFFICE

LONDON, SW1A 2AH

5/3/74

26/3



- (12) Preparing and supervising the conclusion of economic cooperation loan agreements with the governments of foreign states and following up on their implementation.
 - (13) Preparing and supervising the conclusion of agreements for the rescheduling of the re-payment of debts with the governments of foreign states and following up on their implementation.
 - (14) Supervising the administration for sequestration and preparing for the payment of compensation in respect of foreigners and for the conclusion of compensation agreements with foreign governments, and following up on the implementation of such agreements.
 - (15) Supervising the General Authority for Arab Fund Investments and the Free Trade Zones.
8. Egypt to Recommission Suez Refineries: The two Suez refineries, badly damaged by the Israelis in the aftermath of the 1967 war (MEES, 27 October 1967), are to be repaired and gradually recommissioned, according to Eng. Muhammad Ramzi al-Laithi Chairman of the Egyptian General Petroleum Corporation. Eng. Laithi expected the refining capacity of the Suez plants to reach 1.5 million tons/year in 1974, rising to 5 million tons/year in 1975.

(Before their destruction by the Israelis in 1967, the two government-owned refineries at Suez had a combined refining capacity of 7.2 million tons/year: the Nasr Petroleum Company with a refining capacity of 4.2 million tons/year and the Suez Company for the Processing of Petroleum with a refining capacity of 3 million tons/year. Following their destruction, Egypt stepped up the capacity of the Alexandria refinery and established three new plants at al-'Amiriyah, Musturud and Tanta. The refining capacity of the latter four plants is scheduled to rise to 8.5 million tons this year (MEES, 1 February) and even assuming that there would be no further increases in their capacity in the following year, Egypt's total refining capacity would rise to 13.5 million tons in 1975 with the recommissioning of the two Suez plants.)

IRAN

9. World Bank and IMF Endorse Iranian Development Fund Plan: The World Bank and the International Monetary Fund (IMF) have endorsed the Shah of Iran's proposal for a world development fund to offset the effects of oil price increases on the developing countries. The endorsement was announced at a press conference in Teheran held by the Iranian Prime Minister, Mr. Amir Abbas Hoveida, the Managing Director of the IMF, Mr. Johannes Witteveen, and the President of the World Bank, Mr. Robert McNamara.

According to Mr. Hoveida, the fund is to have a capital of \$2-\$3 billion in the first year, of which Iran is prepared to contribute \$1 billion. The fund will be administered equally by the oil producing, developing and industrialized countries and will make long-term, low-interest loans available to the developing countries to finance vital imports.

IRAQ

10. RCC Ratifies Supplemental Agreement to Elf/ERAP's 1968 Service Contract: The Iraqi Revolutionary Command Council (RCC) ratified on 17 February the supplemental agreement to Elf/ERAP's 1968 service contract, which was finalized between the two sides in May 1973 (MEES, 18 May 1973).

Cc for
Iraq file
also over
page)

& to Tokyo info.

Under the supplemental agreement, Elf/ERAP will develop the Abu Ghirab and Buzurgan fields with a view to starting production from the two fields combined at a rate of 8 million tons/year (160,000 b/d) as soon as the construction of the deep-sea terminal in South Iraq is completed. Elf/ERAP will also construct a 170-km. pipeline linking the two fields to the North Rumaila tank farm.

In addition, Elf/ERAP will carry out a supplementary exploration program on its Blocks I (the Buzurgan/Abu Ghirab area near the Iranian border) and Block IV (in the Basrah area) where oil was found in the Siba structure in 1969.

The agreement also incorporates the approval of the Iraq National Oil Company (INOC) for the assignment of 40 percent of Elf/ERAP's rights to a Japanese group composed of Sumitomo Petroleum Development Company, Mitsubishi Petroleum Development Company, Japan Petroleum Development Corporation, Japan Petroleum Exploration Company, and Teikoku (Imperial) Oil Company.

11. Contract for Umm Qasr Sulfur Export Facilities Awarded to the Hungarian Firm Chemokomplex: On 6 February, the Iraqi Ports Administration awarded an ID 1.25 million (\$4.13 million) contract to the Hungarian firm Chemokomplex for the construction and supply of equipment and facilities for the liquid sulfur export terminal at Umm Qasr port in South Iraq. The project, scheduled for completion within 23 months, is designed to double Iraq's sulfur exports from the Arabian Gulf. Meanwhile, work on a large conveyor belt being erected at the sulfur export pier in Umm Qasr by the Iraqi Ports Administration is reputed to be nearing completion.
12. Iraq Concludes Economic Cooperation Protocol with Yugoslavia: During the visit to Iraq of an official Yugoslav delegation, headed by the Yugoslav Under Secretary of the Ministry of Economy, an economic cooperation protocol in the field of industry, agriculture and oil was signed on 17 February between the two countries. In announcing the conclusion of the protocol, the Iraqi Under Secretary of the Ministry of Industry, Mr. Muhib al-Din al-Tai, stated that an Iraqi delegation would shortly visit Yugoslavia to conclude agreements for the implementation of new projects in Iraq with Yugoslav assistance.
13. Iraq Concludes Trade Agreement with Bangladesh: On 18 February, a trade agreement was concluded in Baghdad between Iraq and Bangladesh. The agreement, signed by the Iraqi Minister of Economy, Mr. Hikmat al-Jazrawi, and the Bangladesh Foreign Minister, Mr. Kamal Husain, provides for the export by Iraq to Bangladesh of Iraqi goods including cement, oil products, chemical fertilizers, dates and tobacco, and the import from Bangladesh of jute, iron and other products. The agreement also calls for the setting-up of a joint Iraqi-Bangladesh committee, which will meet once a year alternately in Baghdad and Dacca.

Meanwhile, a Reuter's report from Dacca dated 16 February stated that during the visit of the Iraqi delegation to Bangladesh, the two countries signed an oil barter deal under which Iraq would supply Bangladesh with 100,000 tons of crude oil in exchange for £1.2 million worth of jute. The report added that the first consignment of Iraqi oil was expected to arrive at Chittagong port during the first week of March.

EXTRACT BBC BROADCASTS

11/3

ME/4547/C/1

11 Mar 74

C. GREECE, TURKEY AND CYPRUS

Turkish-Iraqi Oil Pipeline Agreement

Ankara home service 1100 gmt 7 Mar 74

Excerpt from report:

Preliminary measures connected with the Iraqi-Turkish oil pipeline agreement for the transport of Iraqi oil to the Mediterranean have been adopted. The decision on this subject by the interministerial economic council came into effect after being approved by the Council of Ministers. According to these measures, the Turkish oil company will act as Turkey's representative in the construction of the pipeline. Thus the Turkish oil company will establish a subsidiary joint-stock company to ensure the timely implementation of the work stipulated by the Turkish-Iraqi pipeline agreement and to operate the pipeline. The Turkish oil company will own at least 99 [as heard] per cent of this subsidiary.

Domestic and foreign finances needed for the construction of the [Turkish portion] of the pipeline will be provided by the Finance Ministry. According to the decision of the interministerial economic council, all ministries and state organizations will give priority to the implementation of the procedures connected with the pipeline project and will provide every facility to that end...

RECEIVED IN
REGISTRY N 108
18 MAR 1974
ME 12358/1

CONFIDENTIAL

Mr. Weir

UK/IRAQ RELATIONS

Problem

Flag A

H.M. Ambassador in Paris recently received an approach from the Iraqi Chargé d'Affaires suggesting that a delegation, led by a Minister, should visit Baghdad to discuss the resumption of diplomatic relations. We sent an interim reply welcoming the Iraqi approach but explaining that in view of the forthcoming General Election it was impossible to respond positively at that stage. How should we now follow up?

Background

2. The Iraqis broke relations with us in December 1971 on the grounds of alleged "collusion" in the Iranian seizure of the Tunbs and Abu Musa. Since then, both countries have maintained Interests Sections in the respective capitals restricted to commercial and consular work.

3. After several indications that the Iraqis were considering a resumption of relations, an approach was made by the Iraqi Chargé d'Affaires in Paris to H.M. Ambassador there on 8 February saying that the Iraqis were ready to receive a delegation led by a Minister authorised to discuss the resumption of relations; the delegation should include economists authorised to negotiate agreements with the Iraq Government on the lines of the recent Iraqi/Japanese agreement (providing for a Japanese loan of \$1,000 million). We replied on 14 February expressing our appreciation of the approach but pointing

Flag A

CONFIDENTIAL

/out

out that preoccupations over the period of the General Election made it impossible for Ministers to consider any visits abroad in the near future. A previously arranged COMET mission visited Baghdad from 22 to 25 February but received no political approach from the Iraqis. Simultaneously, however, the Iraqi Minister of Foreign Affairs and of the Interior were visiting the UK privately and made it clear that a "political delegation" was required in Baghdad before a resumption could come about.

4. The Iraqis had made a parallel approach to the West Germans and on 25 February a delegation led by a senior government official, described to the Iraqis as the "Deputy" Minister for Foreign Affairs, arrived in Baghdad. The resumption of diplomatic relations between the two countries was announced on 28 February. The Germans told us in advance that they would only agree to substantive economic talks after a resumption of relations. This is reflected in the ensuing communiqués.

Flag B

Argument

5. It would, I believe, be to our advantage to have full diplomatic relations with Iraq provided this can be arranged without detriment to our other interests. In brief, the reasons are as follows:

(a) Commercial. We have traditionally been the leading Western trading partner of the Iraqis and it is only in the past year that the French have overtaken us. Since the agreement between the Iraq Petroleum Company and the Iraq Government in February 1973, and the rise in oil prices, Iraq has become a much more attractive market and its long-term economic future seems secure.

/(b)

CONFIDENTIAL

(b) Oil. It is now estimated that Iraq could be second only to Saudi Arabia in the Middle East in terms of oil reserves.

(c) Our traditional contacts with Iraq in the fields of training and education would be encouraged by a resumption, and would increase Western influence to the possible containment of Soviet influence there; in this context, the Shah of Iran has said that he would welcome a resumption of UK/Iraq relations.

6. I recognise that in existing circumstances it may well prove impossible to send a delegation led by a Minister, although there is an obvious risk that any other than a Ministerial mission will be regarded unfavourably by the Iraqis in contrast with the West German response. Nevertheless, I believe that it is in our interests to respond, and to do so quickly. If the delegation is not to be led by a Minister then I consider that the leader should be someone whom the Iraqis will recognise and accept as an interlocuteur valable. A suitable choice would be Sir Harold Beeley, who, when British Ambassador in Cairo, negotiated the resumption of Anglo/Iraqi relations in 1968. If this is agreed, an official (perhaps myself) should accompany Sir Harold Beeley. If the Iraqis return to the subject of economic cooperation we should point to the COMET mission in the first instance and add that any further contacts should be explored after a resumption, much as the Germans seem to have done.

Recommendation

7. I therefore recommend that

(a) We should approach Sir Harold Beeley forthwith with a request that he act as leader of the "political delegation";

/(b)

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- (b) We should inform the Iraqis via the Chargé d'Affaires in Paris that Sir Harold Beeley and an FCO official would be ready to visit Baghdad as soon as possible to discuss the resumption of diplomatic relations; and
- (c) We should inform the US, the French, Iranian and Kuwaiti governments of our proposed course of action.

A handwritten signature in black ink, appearing to read 'P.R.H. Wright', with a large, sweeping flourish extending from the end of the signature.

P.R.H. Wright
Middle East Department

13 March 1974

Copies to: NENAD
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FRD
Energy Department ✓
POD
PPD
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Mr. Weir

UK/IRAQ RELATIONS



120
Good idea. DM
has many hands still in B'd
Dr. Lockhart 26/3
Fenn
X 2

Flag A

As you know, the Secretary of State agreed on 20 March to the recommendation in my submission of 13 March that we should approach Sir Harold Beeley with a request that he act as leader of a "political delegation" to discuss a resumption of diplomatic relations with the Iraqis. This has been discussed with Sir Harold who expressed some reservations about undertaking this task, primarily because the Acting Foreign Minister with whom he negotiated the previous resumption has spent most of the time since then in gaol and Sir Harold therefore doubts whether it would be appropriate for him to undertake the same mission again.

2. In the circumstances, the Permanent Under-Secretary has suggested that Sir Donald Maitland might undertake the mission to Baghdad. I understand that tentative soundings have revealed that Sir Donald would be able to visit Baghdad on 9 April and I therefore recommend that a telegram on the lines of the attached draft be sent to Paris.

3. I also recommend that the telegram be copied to other posts and that H.M. Ambassadors in Washington, Paris, Tehran and Kuwait should be authorised to inform the governments to which they are accredited in accordance with recommendation (C) in my earlier submission. Similar action should be taken in Stockholm.

P.R.H. Wright
Middle East Department

25 March 1974

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File No. _____
Department MED
Drafted by P.R.H. WRIGHT
(Block Capitals)
Tel. Extn. MA 664

OUTWARD
TELEGRAM

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FOR
COMMS. DEPT.
USE

Despatched

(Date) _____
(Time) _____ Z

POSTBY _____ Z

PREAMBLE

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(Restrictive Prefix) _____

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TO PRIORITY PARIS Tel. No. _____ of _____
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AND TO (precedence/post) _____

AND SAVING TO _____
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SAVING TO (for info) ABU DHABI, DUBAI, BAHRAIN, MUSCAT, JEDDA, CAIRO,
DAMASCUS, BEIRUT, TEL AVIV.

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[TEXT]

Your telegram No. 218 (not to all) and my telegram
No. 27 to Baghdad: UK/IRAQ RELATIONS

The Iraqi Ministers of Foreign Affairs and Interior,
recently in London on private visits, have emphasised that
it would be necessary for a "political delegation" to visit
Baghdad before a resumption of relations could be arranged.
I have agreed that Sir Donald Maitland should visit
Baghdad for this purpose.

2. Please therefore arrange for an oral response to be
conveyed to the Iraqi Chargé d'Affaires on the following
lines.

3. I have now had an opportunity to consider the Iraqi
suggestion that talks should be held in Baghdad with a view

/to

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to resuming diplomatic relations. I therefore propose that Sir Donald Maitland, Deputy Secretary in the FCO and lately Permanent Representative to the UN, should visit Baghdad for this purpose. Sir Donald would be available to travel on 9 April. I would be glad to know whether this proposal is acceptable to the Iraqi Government.

3. For your information, we do not (not) propose to send any "economists" with Sir Donald (your telegram No. 179, not to all). If questioned on this, you should take the line that the COMET Mission in February was welcomed by the Iraq Government to discuss future commercial and economic cooperation, and that any future economic discussions must follow a resumption of relations.

4. You and H.M. Ambassadors in Tehran, Kuwait, Stockholm and Washington have discretion, on receipt of confirmation from Paris that the proposal is acceptable to the Iraqis, to inform in confidence the Governments to which you are accredited.

CONFIDENTIAL

NOTHING TO BE WRITTEN IN THIS MARGIN

21

21

see

ME 12/324/1

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Mr. Weir

20th February (22)
1 Mr. Laidlaw per
Good 12/7/3

RECEIVED IN REGISTRY No. 38 3 APR 1974 ME 12/359/1

UK/IRAQ RELATIONS

Problem

Flag A H.M. Ambassador in Paris recently received an approach from the Iraqi Chargé d'Affaires suggesting that a delegation, led by a Minister, should visit Baghdad to discuss the resumption of diplomatic relations. The delegation should include "economists" authorised to negotiate an agreement on the lines of the recent Iraqi/Japanese agreement. The West German government, having received an identical approach, responded by sending a "Deputy Minister" and a resumption of Iraq/FRG relations was announced on 28 February. We sent an interim reply welcoming the Iraqi approach but explaining that in view of the forthcoming general election it was impossible to respond positively at that stage. How should we now follow up?

Background

2. The Iraqi Government broke diplomatic relations in December 1971 on the grounds that HMG had been guilty of "collusion" with Iran in the seizure of the Tunbs and Abu Musa. Since then, both countries have maintained Interests Sections in the respective capitals restricted to operating in the commercial and consular spheres.

3. After several indications that the Iraqis were considering a resumption of relations, an approach was made by the Iraqi Chargé d'Affaires in Paris to H.M. Ambassador there on 8 February saying

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Flag A that the Government of Iraq was ready to receive a delegation from the UK led by a Minister authorised to discuss the resumption of relations and that the delegation should include economists authorised to negotiate agreements with the Iraq Government on the lines of the recent Iraqi/Japanese agreement. (This agreement provides for a Japanese loan of \$1,000 million for use towards petroleum and light industrial development against the supply of oil and petroleum products.) We replied on 14 February through the same channel expressing our appreciation of the approach but pointing out that preoccupations over the period of the General Election made it impossible for Ministers to consider any visits abroad in the near future. We added that the COMET mission under the Chairmanship of Lord Denman would be visiting Baghdad from 22 to 25 February and that quite apart from discussions on the future of our mutual commercial and economic interests which would naturally be undertaken by that mission, Lord Denman would also be made aware of the details of the Iraqi approach in Paris. The mission took place without any political approaches from the Iraqis. Simultaneously, however, the Iraqi Ministers of Foreign Affairs and of the Interior were visiting the UK privately and we took the opportunity to pay courtesy calls on them. During these calls both Ministers made it clear that a "political delegation" was required in Baghdad before a resumption could come about.

4. The Iraqis had made a parallel approach to the West German Ambassador in Paris and on 25 February a delegation led by a senior

/government

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government official, described to the Iraqis as the "Deputy" Minister for Foreign Affairs (but in practice equivalent to a Deputy Under-Secretary) arrived in Baghdad. As a result of the ensuing negotiations, the resumption of diplomatic relations between the two countries was announced on 28 February. Although the delegation included two officials from the Ministry of Economy, the Germans told us in advance that they would only agree to substantive economic talks after a resumption of relations. This is reflected in the ensuing communiqués.

Flag B

Argument

5. It would, I believe, be to our advantage to have full diplomatic relations with Iraq provided this can be arranged without detriment to our other interests. In brief, the reasons are as follows:

(a) Commercial. We have traditionally been the leading Western trading partner of the Iraqis and it is only in the past year that the French have overtaken us.. Since the agreement between the Iraq Petroleum Company and the Iraq Government in February 1973, and the rise in oil prices, Iraq has become a much more attractive market and its long-term economic future seems secure. Without normal diplomatic relations and the access to senior levels in the Iraqi régime which these would give us, we are in danger of losing our proper share of this increasingly important market.

(b) Oil. It is now estimated that Iraq could be second only to Saudi Arabia in the Middle East in terms of oil reserves. A resumption in diplomatic relations would help us to ensure access

/to

to Iraqi oil, and to assist the efforts of British oil companies in obtaining exploratory concessions in the area.

(c) Our traditional contacts with Iraq in the fields of training and education would be encouraged by a resumption, and would increase Western influence to the possible containment of Soviet influence there; in this context, the Shah of Iran has said that he would welcome a resumption of UK/Iraq relations (although we shall need to explain a resumption to the Iranians and others in advance).

6. The COMET mission may have served to satisfy the Iraqi request that HMG should display interest in cooperating with the Iraqis on economic development. The Iraqis however made it quite clear that they regarded the COMET mission as bearing no political mandate whatsoever. It remains for us, therefore, to decide how to follow up the Iraqi request that a political delegation should be sent to Baghdad.

7. I recognise that in existing circumstances it may well prove impossible to send a delegation led by a Minister, although there is an obvious risk that any other than a Ministerial mission will be regarded unfavourably by the Iraqis in contrast with the West German response. Nevertheless, I believe that it is in our interests to respond, and to do so quickly. If the delegation is not to be led by a Minister then I consider that the leader should be someone whom the Iraqis will recognise and accept as an interlocuteur valable. A most suitable choice would be Sir Harold Beeley, who, when British Ambassador in Cairo, negotiated
/the

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the resumption of Anglo/Iraqi relations in 1968. If this is agreed, an official (perhaps myself) should accompany Sir Harold Beeley. If the Iraqis return to the subject of economic cooperation we should point to the COMET mission in the first instance and add that any further contacts should be explored after a resumption, much as the Germans seem to have done.

Recommendation

8. I therefore recommend that
- (a) We should approach Sir Harold Beeley forthwith with a request that he act as leader of the "political delegation";
 - (b) We should inform the Iraqis via the Chargé d'Affaires in Paris that Sir Harold Beeley and an F.C.O. official would be ready to visit Baghdad as soon as possible to discuss the resumption of diplomatic relations; and
 - (c) We should inform the US, the French, Iranian and Kuwaiti governments of our proposed course of action.

P.R.H. Wright
Middle East Department

6 March, 1974

Copies to: NENAD

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Energy Department ✓

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CC
Mr R Carter
Mr Milne
Register
Mr Browne o.r.

I am not clear how far the Shah/Iraq
summarises her own views. *Apparent*

Mr. Clark 19/5

Mr. Williams

Mr. Burton

19/5
Copy: Embassy Dept

17/5

RECEIVED IN
REGISTRY No. 38
20 MAY 1974

ME 12/359/1

SHELL AND IRAQ

1. When Messrs Pocock and co. of Shell called on the Ambassador on 27 April, they gave a brief account of the progress of their new relationship with the Iraqis, which had broadened out from the old part-share of the IPC which had largely gone with nationalisation into a contactor-style, bilateral relationship, involving agricultural development as well as oil production.

2. Mr Pocock asked whether HE thought that if this relationship with Iraq prospered it would affect Shell's position here in Iran. The Ambassador explained the current strains between Iran and Iraq and said that Shell in Iraq was certainly wise to keep looking over its shoulder for reactions here. The Shah would not, however, expect Shell or other companies to refrain from Iraqi involvement where, after all, they had a long history. The main thing was to bear in mind the timing of any public announcements and to be scrupulous about keeping the Shah in the picture in advance. There were precedents here; for example, the Consortium had been careful last year to tell the Shah about IPC's affairs before he learnt about it in the press. Although the evidence was not conclusive, it seemed likely that the Japanese had damaged their position in Iran by what the Shah considered excessive haste to make deals with the Iraqis. This was a particular example that Shell would be wise to bear in mind.

3. Mr Pocock said that he fully accepted these points and would ensure that advance knowledge of Shell/Iraq intentions was conveyed from time to time to the Court through Sir Shahpour Reporter.

4. After the meeting Mr Holmes told me that in fact Iraq was "much more interesting" than Iran from Shell's point of view at the present time. As he had said to me during his previous visit, the results of exploration in Iran had for some time been rather disappointing. Iraq, on the other hand, in view of the many years in which exploration had been neglected because of the IPO dispute and the virtual oil-paralysis of the Iraqi Government, contained large areas where most oil men believed the prospects were very good indeed. On the other hand, a bird in the hand being worth two in the bush, they would certainly be careful how they proceed so not to jeopardise the existing benefits of their relations with Iran.

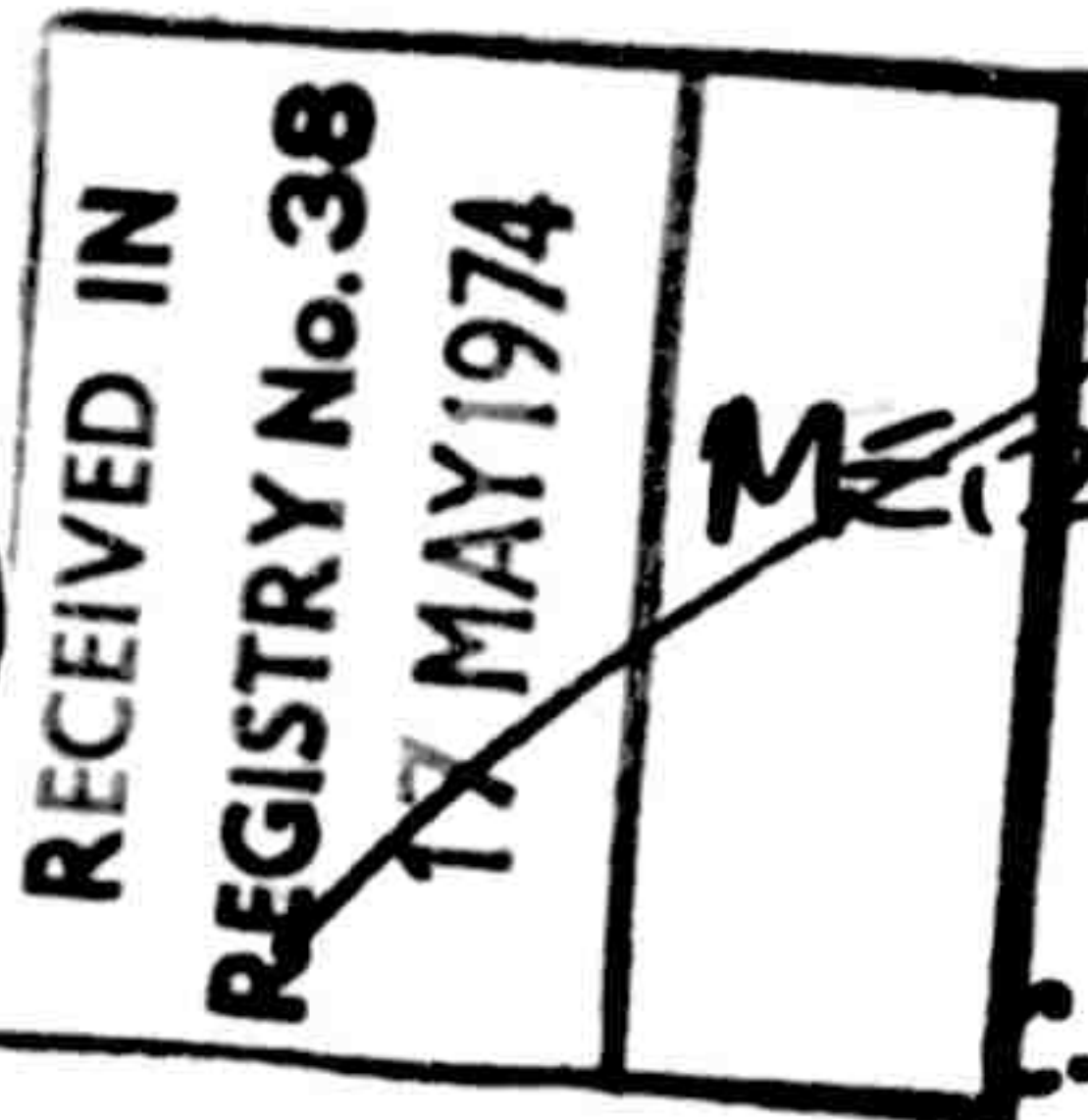
30 April 1974

R H Ellingworth

cc: P R H Wright Esq, MED
File



17/1



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ME 1389/1

c.c. MED

Energy Dept. ✓

Economics D.

Research D.

PUSD

EESD.

R A Neilson Esq
EAD
FCO

Dear Neilson, 7th. 11. 29/4

BRITISH EMBASSY
MOGADISHU

23 April 1974

Sound unlikely

M/2/15

In 2/2/15

ME 29/15

In Lockhart 11

17/15

ESTABLISHMENT OF OIL REFINERY IN SOMALIA

1. The Iraqi Ambassador mentioned to me a few days ago that following the visit to Somalia some weeks ago of an Iraqi Financial Delegation his government hoped to go ahead with the financing of an oil refinery in Somalia. The Somali Secretary of State for Industry, Abdulkasim Salad Hassan, is at present on a visit to Baghdad and according to the Ambassador, although no announcement has yet been made in Mogadishu, both Cairo and Baghdad Radios had already announced an agreement in principle between the two governments to go ahead with the project.

2. As he himself suggested, if implemented this would represent an important advance in Somalia's policy of economic self-sufficiency and industrial development as well as reducing her dependence on the Soviet Union. Somalia has at present no refinery facilities and for some years, at least since the nationalisation of petroleum distribution in 1971, has been entirely dependent on the Soviet Union for her supplies, though much of this, I understand, has been purchased by the Soviets from Iraq and is not supplied direct from the USSR. The Ambassador was unable to say whether the refinery would be sited at Berbera, Mogadishu or Kismayu, the three ports at present equipped with oil storage facilities.

3. If correct this development will in time represent a significant set back to the Soviet economic position in Somalia, an area which has hitherto seemed to give them considerable leverage. There have been other local reports which my Iraqi colleague implied might be correct of the Soviets seeking to negotiate substantial increases in oil prices with the Somalis. These are said to have been paralleled by hard bargaining on the Somali side to extract an increase in the price of Somalia's main export to the USSR in the form of the large scale shipments under contract of tinned meat from the Kismayu meat factory. It may well be that this is what President Siad had in mind in referring optimistically in a speech last week to using livestock, the principal resource of this country, as a weapon on a par with gold and oil. Since the Soviets are far and away Somalia's most important customer for meat products it seems possible that his comment was directed to them, rather than to Arab countries who represent her main customers for livestock on the hoof.

CC: IRD

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Col. B Dalton OBE ret'd.

MOD

Yours sincerely, John Shaw
J D B Shaw

GR 200

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CYMER CAT A

FM BAGHDAD 300740Z

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RECEIVED IN
REGISTRY No 35
31 MAY 1974
NBR 12/359/1

COPY

TO ROUTINE FCO TEL NO 173 OF 30 MAY⁷⁴ INFO TO TEHRAN JEDDA KUWAIT
WASHINGTON AND CAIRO.

PRODUCER-CONSUMER DIALOGUE.

NO OPPORTUNITY IS LIKELY TO OCCUR FOR ME TO DISCUSS THIS
SUBJECT '' IN THE COURSE OF NORMAL BUSINESS'' WITH IRAQIS.

2. I MENTIONED IT TO PAWSON (BPC) WHO VOLUNTEERED THE
FOLLOWING WITH WHICH I AGREE.
IRAQ'S PUBLIC POSTURE IN INTERNATIONAL OIL MATTERS IS TO
APPEAR IN THE VANGUARD OF CHANGE. HER PRIVATE NEGOTIATING
POSITION IS TO KEEP THE OIL FLOWING FOR THE MAXIMUM RETURN
IN THE SHORTEST TIME. ANY DIALOGUE IN WHICH IRAQ IS REQUIRED
TO TAKE PUBLICALLY WITH OTHER ARABS DECISIONS WHICH SHE
MAY HAVE TO BE SEEN IMPLEMENT WILL THEREFORE BE AVOIDED.
THE WHOLE EMPHASIS, SHORT OF A UN DISCUSSION WHICH SHE HAS
ADVOCATED, IS TO PROMOTE PUBLIC AND PRIVATE BILATERAL DEALS
WHERE BREACHES OF BROAD POLICY, IF THEY ARE SEEN TO OCCUR,
CAN BE JUSTIFIED AS EXCEPTIONS.

3. IT FOLLOWS THAT IRAQ WILL AVOID PARTICIPATING IN A
PRODUCER-CONSUMER DIALOGUE.

MCCLUNEY

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Mr Wotton

Mr Egerton ✓

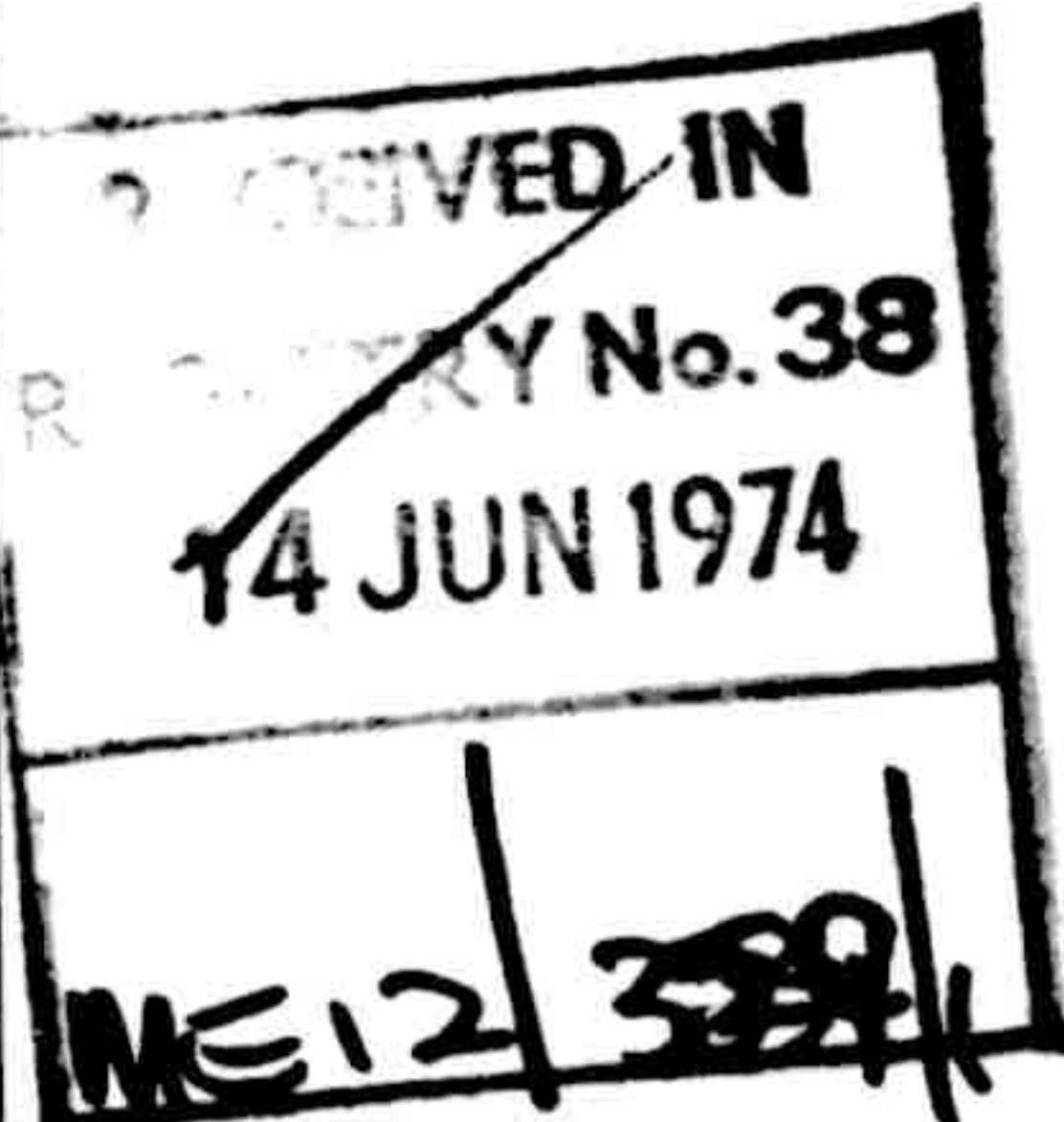
IRAQ CONSORTIUM

This is disappointing, so soon after
Resumption of relations to "for economic reasons".
Vogelstein

1. You commented on FCO telegram 112/BAGHDAD attached. 6
2. I discussed this with Mr Burton, MED, this morning. This is the first he has heard of it. It looks as though the Iraqis have decided, probably as a result of their greatly increased oil revenues, to keep the new exploration in their own hands and to hire contractors for drilling and completion work. The European Consortium was established with the aim of getting some sort of joint venture or production sharing contract with Iraq, giving it title to part of any oil found.
3. MED have discussed the project with Shell in the past but not with IPC. As the attached telegram is a private IPC message they cannot use it as a pretext to talk to Shell. I agreed with Mr Burton that we would look out for a suitable early opportunity of asking Shell innocently how the Consortium plan was progressing.

An unfashionable
notion.

12/6



12 June 1974

G P Lockton

G P Lockton

cc: Mr Burton MED (W 92)
Mr Birchmore D/En

B/u to me 10 days.
NOTED.

13/6

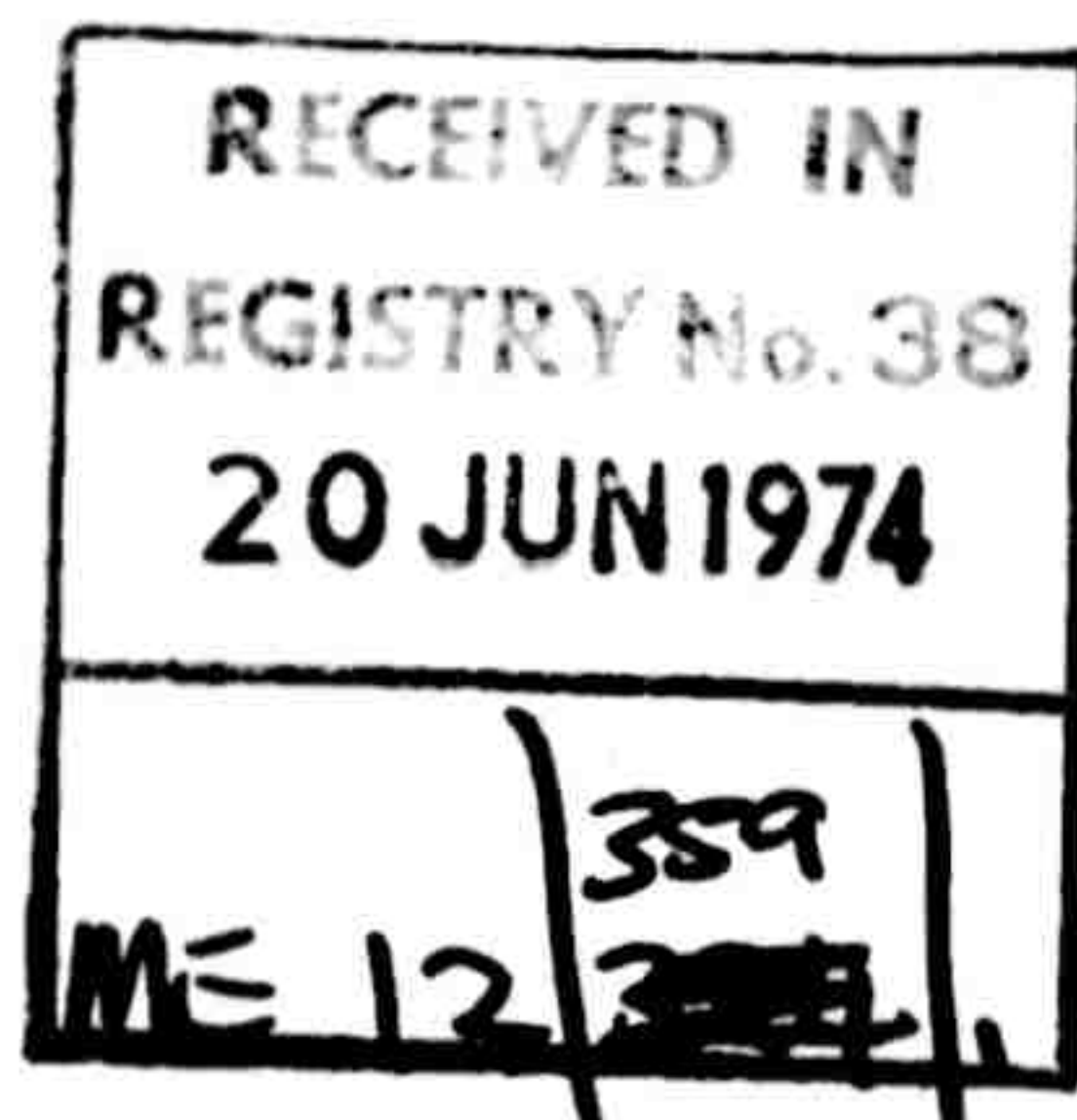
X 24/6

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From the Secretary of State

The Rt Hon James Callaghan MP
Secretary of State for
Foreign and Commonwealth Affairs



Dear Tim,

ECONOMIC RELATIONS WITH IRAQ

During the course of discussions leading to the resumption of diplomatic relations with Iraq in April of this year the Iraqis made it clear that their main reason for resuming relations was to enlist our help, along with other industrialised nations, in their economic development. They suggested that we should enter into an economic cooperation agreement with them. I consider that it would be right for us to respond positively to this request, for reasons which are set out in the attached paper. I should be glad if you, and those of our colleagues to whom this letter is copied, would let me have your views on the proposals in the paper.

I am sending copies of this letter to Denis Healey, Eric Varley, Tony Benn and Judith Hart.

Yours sincerely

Peter Shore

PETER SHORE

26

MED

- for advice pl.

a Mr Weir

The Delta/Energy Dept.

13/6

11 June 1974

Mr Lockyer

Indeed!
19/6

We wd. support

this paper + MoU

strongly; especially as

that the 'Consensus' (Baker)

Packed up (it

14/6



ECONOMIC RELATIONS WITH IRAQ

- 1 Diplomatic relations between Iraq and the UK (severed by Iraq in December 1971) were resumed on 10 April 1974 during a visit made to Baghdad by a small British delegation led by Sir Donald Maitland expressly for this purpose at the invitation of the Iraqi Government. During the period December 1971 - April 1974 a British presence in Iraq was maintained by a British Interests Section - including a Commercial Office - operating under the aegis of the Swedish Embassy.
- 2 During the talks in Baghdad, the Iraqis indicated that their main reason for seeking restoration of diplomatic relations at this point in time with Britain (and with W Germany with whom relations were resumed in February) was on economic grounds.
- 3 Iraq's economic development has been making relatively slow progress during the dispute with IPC over the past 10-12 years. This has now been settled and with increasing oil revenues coming forward Iraq is anxious to hasten the pace. There are political as well as economic reasons for this: Iraq realises that in economic development she is lagging behind and being outpaced by Iran and potentially by Saudi Arabia and other oil producing states. The Eastern Bloc's contribution to her development programme has not been producing results quickly enough and for the rapid acceleration of the programme Iraq needs W European (and Japanese) experience and expertise and needs it in a hurry. Iraq is now embarking on a crash development programme and is inviting British involvement in undertaking development projects. Such projects would not involve British equity participation since industrial projects are carried out by state organizations.
- 4 The Iraqis want us to send an economic delegation to Baghdad as soon as possible to explore the possibility of concluding an agreement for economic and technical cooperation between the two countries. It is clear that the speed and nature of our response to this proposal will be regarded as a test of our goodwill and good intent following the formal restoration of diplomatic relations.
- 5 In meetings held by the Maitland Mission in April with the Ministry of Planning and Ministry of Economy both stressed:-
 - (a) the urgency of the development programme;
 - (b) that although financing development projects would no longer be a problem in the long term, this did not mean that loans and credits would not be needed for the first few years (references were made to the Japanese credit of \$1 billion and the French credit of \$500 million);
 - (c) the essential need was for foreign firms or international consortia to undertake projects on a turnkey basis, if necessary staying on for a time to ensure their effective operation and the training of Iraqis; Iraq had neither the administrative capacity nor the time to deal with projects on a piecemeal basis.



6 The Ministry of Economy thought that it would be desirable to set up some sort of joint committee, meeting once or twice a year, to review progress under the proposed Agreement for Economic and Technical Co-operation. They had no fixed ideas about the pattern of such an Agreement with Britain (which as we see it would be in the form of a Memorandum of Understanding). Iraq had several such agreements (with Eastern European countries, France, Spain and Japan) some specified credit facilities and some did not. Agreements could be adopted to the circumstances of the other country. The Iraqis said they were quite flexible on this. (We understand however that discussions with West Germany on such an agreement have been bogged down since February since the Iraqis are seeking Government guarantees for the performance of private firms.)

7 The Ministry of Planning are currently engaged on formulating the next 5 Year Plan 1975/79, the first draft of which would probably be ready around September/October, but lists of major projects on which it had been decided to go ahead were already available. Although some of these projects were written into Agreements made with other countries, this was purely indicative and did not mean that those projects were positively 'allocated' to the countries concerned. They were open to consider proposals on these projects from other countries.

8 Our exports to Iraq have shown only a modest increase over the past five years (from £21.3 million in 1969 to £27.1 million in 1973). Although we remain Iraq's major supplier over 1969-72 save when we lost our first place to the USSR in 1971, our share of the Iraqi market declined from 12% in 1969 to under 10% in 1972. There is no indication that there is any bias in Government circles against Britain as a trading partner, indeed on the contrary there appears to be a fund of goodwill and a sincere desire to expand trade with Britain. The Iraqis are introducing procedures (principally through The Oil Affairs Follow Up and Agreements Implementation Committee) to overcome the administrative delays and difficulties which have hitherto hindered the implementation of development projects. The new financial situation in Iraq and the new attitude of the Iraq Government towards foreign companies undertaking development projects should ensure a rapid expansion of opportunities for British firms. Though Britain has recently secured contracts for telephone cables (£3m) and for irrigation work (£4m) nevertheless contracts for construction of Rummaila/Haditha pipeline (£100m) and for extension of the Basra oil terminal (£70m) have been lost to Italy and Germany respectively.

9 An exploratory mission organized by the Committee for Middle East Trade (COMET - one of the BOTB's Area Advisory Groups) went to Iraq in February. Their conclusions are reflected in the preceding paragraphs. The Middle East Committee of the London Chamber of Commerce is planning to send a Mission to Iraq in the second half of June. COMET is now considering organizing an industrial mission later in the year.



10 ECGD's attitude, even before the improvement in Iraq's financial position and despite the political isolation, was to make available to British exporters the full facilities of the Department. ECGD current liability on the market is only £15.7m, having increased during 1974 from a more or less consistent level of around £7-£8m over the previous three years, and ECGD would be willing to see this figure significantly increased.

11 It would be in our general interests to be forthcoming in response to the Iraq proposal

(a) in the interests of maintaining the long term security of our oil supplies we need to maintain good relations with all the oil producers.

(b) it is in our long term interests to wean Iraq away from dependence upon East Bloc countries for her economic development requirements.

(c) Iraq's increased oil earnings should make this a profitable market in which to do business.

12 We need however to be careful upon two points:

(a) There can be no question of providing Government loans to Iraq as the French and Japanese may have done (it is rumoured however that the so called French loan is no more than an adding up of existing credit limits). We must if pressed make clear that at a time when we have to borrow abroad to finance our own oil deficit we cannot afford to make loans to other countries. However, commercial credit facilities, backed by ECGD would be available for supplies Iraq obtained from the UK.

(b) we cannot contemplate giving Government guarantees for the performance of British firms.

It is possible that these two reservations may in the event limit the amount of project business which we shall be able to obtain but there should nevertheless be substantial opportunities for direct exports from the United Kingdom which might go elsewhere if we do not enter into an agreement with the Iraqis.

a perhaps Saudi
13 We also need to be careful about Iran. To avoid any misunderstandings with the Iranians, who are exceptionally sensitive to developments around their borders, HM Ambassador Tehran should be instructed to give the Shah advance warning of what we propose. More general guidance to Middle Eastern and European posts and Washington will also be needed to dispel any misconception of an oil for arms deal.

14 We should therefore enter into negotiations with the Iraqi for an agreement on economic cooperation, and a draft memorandum of understanding (based on the proposed MOU with Saudi Arabia), which has been agreed at official level between Departments, is attached. It is proposed that this should be submitted to the Iraqis at an early date to forestall the possibility that they



may submit their own proposals which are unlikely to prove an acceptable basis for negotiation. In submitting the draft we should offer to send an official delegation to Iraq to finalize the draft, following which a Minister would travel to Iraq in order to sign it.

15 It is also proposed that we should explore the possibility of sending out a British industrial mission which would have as its aim the identification of projects which British firms might undertake, and if possible to open preliminary discussions about them. As indicated above COMET are already considering this but we need to clarify as far as possible the possible difficulties set out in paragraph 12 before any such Mission departs.

CRE 4
Department of Trade
31 May 1974



DRAFT MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENTS
OF THE UNITED KINGDOM AND IRAQ ON ECONOMIC COOPERATION
(To be signed in English and Arabic)

The Government of the United Kingdom of Great Britain and
Northern Ireland and the Government of Iraq;

- anxious to strengthen friendly relations between their
two countries;
- desiring the earliest possible reinforcement of economic,
commercial and technological cooperation between their
countries to their common advantage;
- recognising the importance of taking further urgent
measures to facilitate progress towards this end;

have decided to set up a Joint Commission with the following
terms of reference:

- (i) The members of the Joint Commission will be the
and the or their
Ministerial deputies assisted by officials and other advisers;
- (ii) The Joint Commission will seek to identify areas of
common interest in the furtherance of economic, commercial,
and technological cooperation between the United Kingdom and
Iraq and, in particular, will examine urgently how the two
countries can best cooperate in the implementation of development
projects in Iraq;
- (iii) The Joint Commission will facilitate negotiations between
British and Iraqi commercial and industrial organisations and
with British and Iraqi authorities and will keep under review
the progress of development projects involving British groups
and companies and the Iraqi authorities and the prospects of
encouraging further such cooperation;



(iv) The Joint Commission will examine arrangements through the intermediary of the two governments and commercial and industrial organisations for supporting programmes of technical training and the provision of expertise and technology;

(v) The Joint Commission will meet at least once a year in London and Baghdad alternately or such other places as the Joint Commission may decide. The Joint Commission may delegate to Committees of officials such matters as the Joint Commission may decide and may establish additional bodies to further the aims of the Commission by the association of industrialists and other experts in its work;

(vi) The full title of the Joint Commission will be the Iraq/United Kingdom Economic Commission.

The Memorandum of Understanding can be revoked by either party by giving six months' notice in writing.

In witness whereof, the under-signed duly authorised thereto by their respective Governments, have signed this Memorandum of Understanding.

For the Government of the United
Kingdom of Great Britain and
Northern Ireland

For the Government of Iraq

ME12/359/1

Battle Looms Within OPEC On Taxes And Prices

(continued from page 2)

Yamani for the first time gave a specific figure for his proposed reduction in postings in his May 31 interview with MEES. It was in direct response to charges by Iranian Minister Amouzegar that Yamani has been talking about lowering prices while also demanding high buy-back prices from Aramco.

Instead of a cut in postings, OPEC's Economic Commission has apparently recommended that the Quito ministerial meeting consider an inflation-related increase, raising the \$11.65 Arab Light posting by \$1.02 to \$12.67 on grounds of the continuing inflation in the industrialized West.

But with numerous reminders that the oil ministers don't necessarily go along with the Economic Commission's recommendations, it appeared last week that the final upshot could be a compromise on no change for the immediate period ahead. "We hope to keep oil prices frozen for the third quarter of 1974," an OPEC Vienna spokesman said, "but after that, oil prices will have to be adjusted to the rate of inflation in industrialized nations."

Iraq Keeps Raising Its Future Targets For Oil Production

Up and up: That seems to be Iraq's crude oil production goal. Its target is again being revised upward, to 6-million barrels daily in 1981, a rise of just under 25% from the previous objective in Iraq's current 10-year plan. Eschewing the production brakes presently prevailing in some other Middle East oil states, the revised oil plan foresees 1981 output of 2.4-million b/d from the nationalized northern Kirkuk fields; 2.2-million from the state oil company's central and southern reservoirs; and 1.4-million from the Basrah Petroleum fields in the south. But there's been no official announcement of the new goals so far.

After several slow years, Iraq's production is pegged for one of the sharpest growth rates in the Middle East (PIW—April 28, p.12). Current overall capacity is about 2.1-million b/d, but the Oil Minister has already put next year's goal at 3.5-million (PIW—Feb.18, p.3). Longer-term goals could be increased still further if additional reserves are discovered in the largely unexplored central areas where new contract oil rights have been offered.

Iraq is projecting its 1974-75 revenues from oil and other natural resources at \$6,085-million, more than triple the previous year's \$1,382-million. Budget figures published in the official gazette show a 113% increase in total state revenues over the 1973-74 fiscal year.

Europe Weighs Plea To OPEC Against Proposed Tax Rise

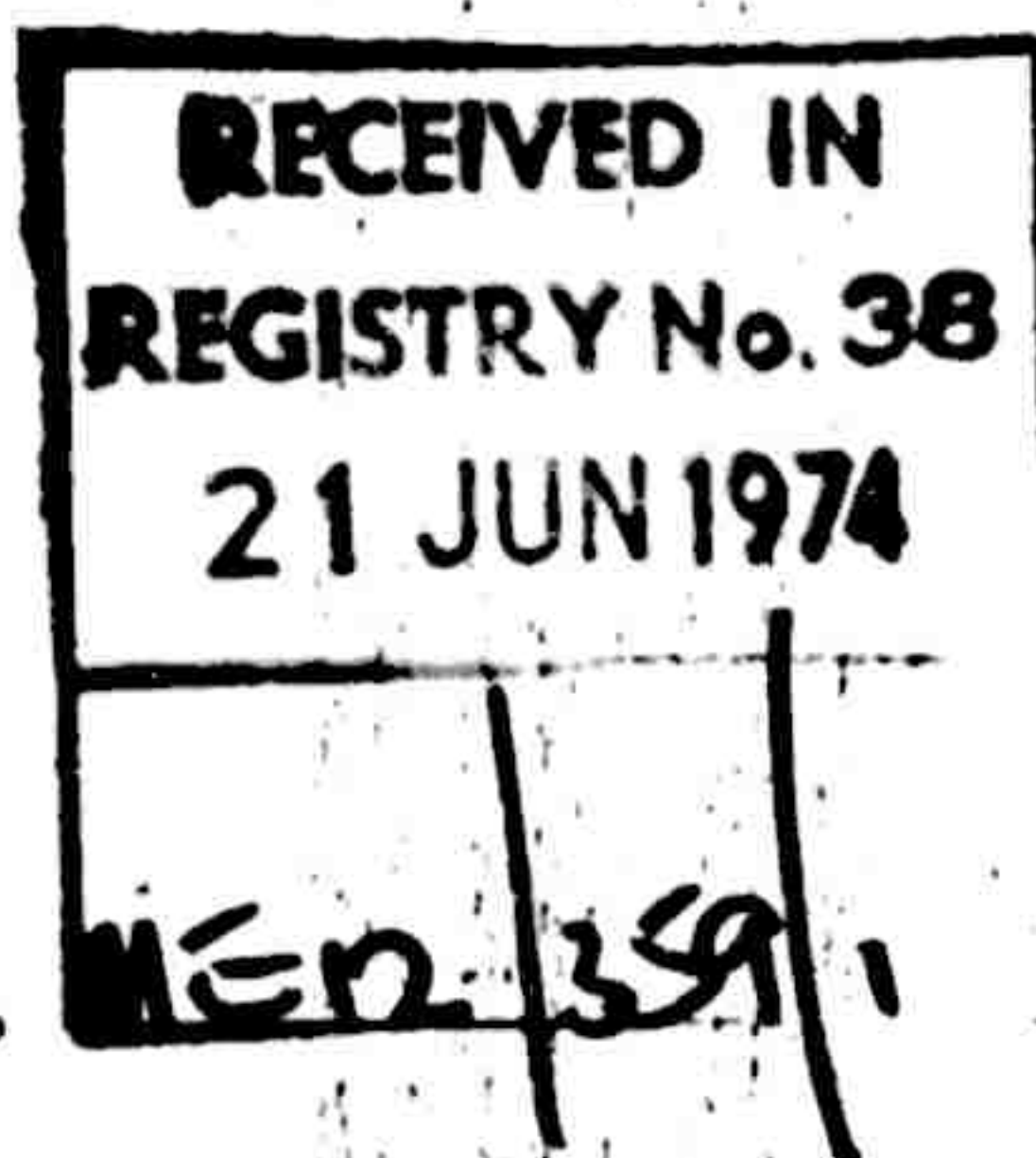
The nine members of the European Community are trying to decide whether to make their first official contact with OPEC before its June 15 meeting in Ecuador. If they do, their purpose will be to deliver an urgent message: The proposed rise in OPEC tax rates to 87% from 55% would inevitably force up consumer prices, putting an unbearable strain on European economies. Their view is that oil company profits aren't anywhere as big as OPEC claims in the proposal for a tax hike to siphon off their "excess profits" (see story p. 1).

The Europeans aren't saying OPEC is entirely wrong, only that record oil company profits in past months were due to specific temporary circumstances, mainly: (1) a momentary price flare-up, especially on the German market, due to the oil shortage when Arab oil production was cut after the October Arab-Israeli war; and (2) the increased value of companies' oil stocks calculated at quadrupled prices, though this was only a balance-sheet gain because the stocks must be replaced at the new high prices when they're depleted.

In Europe, as in the U.S., the governments note that the company profit figures OPEC cites are too high because the major international oil companies don't get all their crude at the tax-paid cost but must buy back a sizeable part at a much higher price. And the companies aren't realizing prices of 93% of crude oil postings on any major market, European officials say. It's noted, however,

X
Cc for
Iraq file

copy as before
 (27)
 E



17 June 1974

Mr Lockhart pa ee MED
 of 2/6 Mr Wein
 Mr Wilton/Energy

ECONOMIC RELATIONS WITH IRAQ

(26)

Thank you for sending me a copy of your letter of 11 June to Jim Callaghan.

I agree to your proposal for the conclusion of a Memorandum of Understanding on Economic Co-operation with the Government of Iraq. I am assured that even though the ODM may be involved in one way or another it is clearly understood that the arrangements for technical training and the provision of expertise and technology mentioned in paragraph (iv) will be on repayment; on this basis I can accept the wording in the draft Memorandum of Understanding attached to your letter.

I have no comment on your other proposals. I am copying this letter to Jim Callaghan, Denis Healey, Eric Varley and Tony Benn.

JUDITH HART

The Rt Hon Peter Shore MP

RESTRICTED



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
TELEPHONE: 01-222 7000

MED.

(28)

cc S/S
P/S M Ennals
P/S PUS
Mr Campbell / Mr Lewis
Sir D. Naitland / Mr Wotton
Energy Dept
20 June 1974



The Rt Hon Peter Shore MP
Secretary of State for Trade
Department of Trade
1 Victoria Street
LONDON SW1H 0ET

Dear Peter,

ECONOMIC RELATIONS WITH IRAQ

Thank you for sending me a copy of your letter of 4 June to Jim Callaghan about promoting economic co-operation with Iraq.

I agree with the proposals in paragraphs 14 and 15 of the enclosure to your letter. An initiative here could be timely. A European group of oil companies (including Shell) have been discussing oil exploration and development with Iraq but I understand that the Iraqis have now broken off discussions. They were apparently willing to continue discussions on an associated project for agricultural development and irrigation, but the oil companies are not so keen to pursue this in isolation.

If the Iraqis ask us to send an official delegation to Iraq to discuss the draft Memorandum of Understanding, or later an Industrial Mission, I may wish to suggest the inclusion of a member of my Department because of the significance of Iraq as a producer of crude oil (as noted in your paper) and their likely continued interest in oil developments and oil-based projects.

I am sending copies of this letter to Jim Callaghan, Denis Healey, Tony Benn and Judith Hart.

Mr Lockhart

(26) Mr Spain

Returned

No get his

ME

Trip!

&

Yours
Sincerely

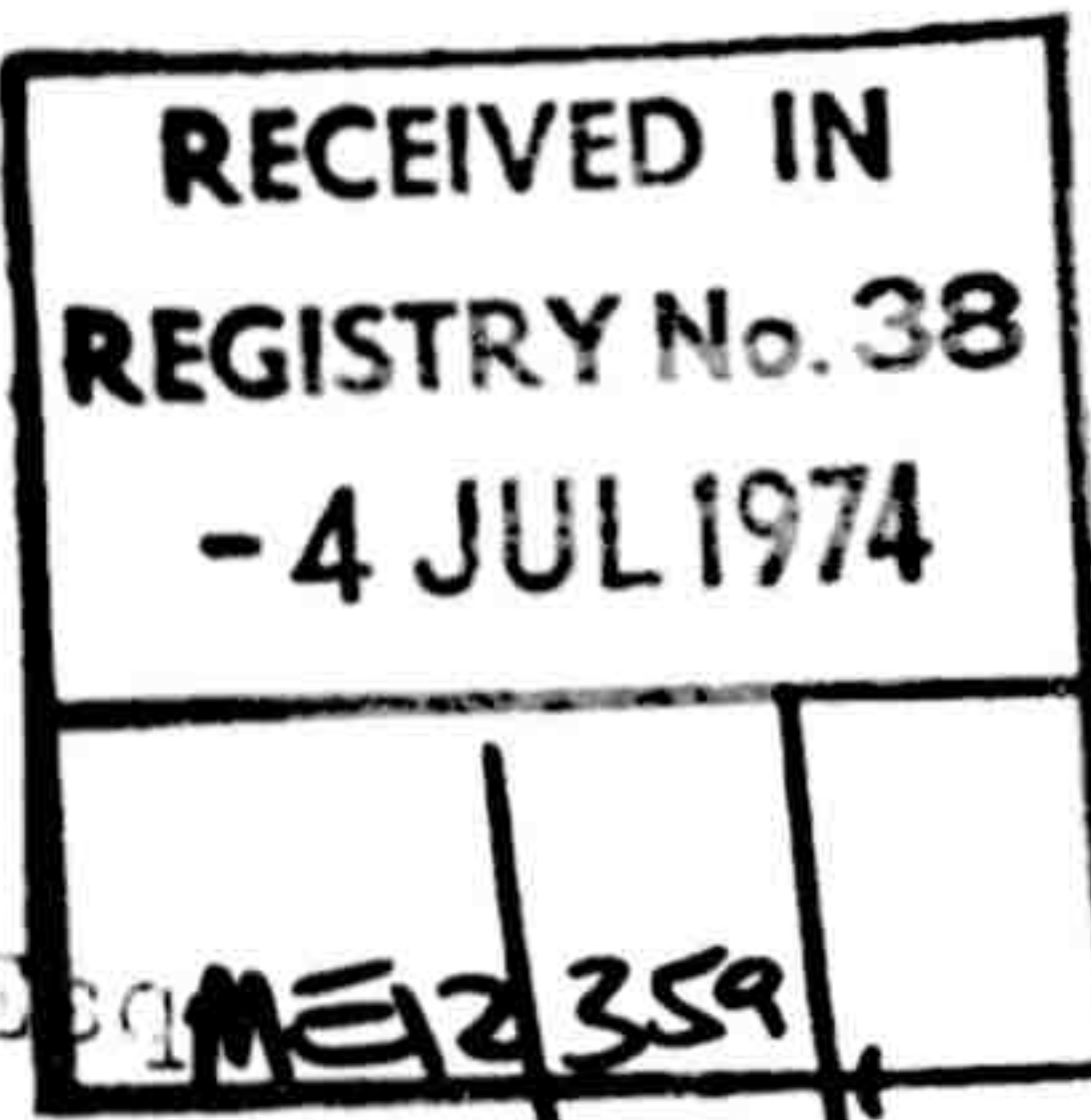


Foreign and Commonwealth Office

London S.W.1

(29)

2 July 1974



P M S Corley Esq
CRE 4
Department of Trade & Industry
1 Victoria Street
London SW1

J. A. Fenn
3/7
Mr. Loughton

pu @ 3/7
2/7

DRAFT MEMORANDUM OF UNDERSTANDING ON ECONOMIC COOPERATION WITH IRAQ

1. As we agreed, I now enclose draft telegrams to Baghdad and to Tehran, Jeddah, Kuwait and Washington, informing them of Ministers' agreement to the proposals in Mr Shore's letter of 11 June and instructing Tehran and Jeddah to take the necessary steps to inform Governments of what we intend to do in Iraq.
2. We need to get a move on with the Iraqis as our response to their request for an economic agreement is already long-delayed. There might also be some advantage in concluding it before the autumn when our recent agreement at the EEC Council of Ministers' meeting on 25 June to consult as well as inform our EEC partners on bilateral economic cooperation agreements with oil-producing countries is likely to come into effect. I should be grateful therefore if you and the other recipients of this letter could let me have your comments/agreement on the enclosed drafts as soon as possible.
3. You will see that I have nevertheless deliberately left the next steps of discussion with the Iraqis rather vague. This is both because of the possible difficulties in practice of assembling an official delegation during the summer, and because we may conclude, in spite of the arguments for swifter progress in para 2 above, that a Minister should not visit Baghdad (even if the Iraqis were to give him a visa!) until IMI Ambassador takes up his post in mid-September.

Mr JAN
Graham (now Wton).

P R H Wright
Middle East Department

Encs

cc Mr Lindley, Department of Energy
Mr Cloake, TRMD
Mr Egerton, EnD ✓
Mr Braithwaite, EID(E)

CONFIDENTIAL

ic No.
Department MED
Drafted by
(Block Capitals) M. K. Williams
Tel. Extn. MB 1020

OUTWARD
TELEGRAM

Security Classification

CONFIDENTIAL

Precedence

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(Date)

(Time)Z

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AND TO (precedence/post).....

AND SAVING TO.....

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EID(E)

Copies to:-

Mr E J Lindley
Dept of Energy
Mr Corley, DT
Mr Bryant, DT
Mr Baker, DT(IA)
Mr Rednall, ODM
Mr Sinclair
HM Treasury

[TEXT]

ECONOMIC RELATIONS WITH IRAQ: PROPOSED MOU

1. Ministers have agreed that in response to the Iraqi request at the time of the resumption of relations we should offer to negotiate with the Iraq Government an MOU on economic and technical cooperation. Draft is in MEET (not telegraphically to all). In submitting it to the Iraqis, we would propose to offer to send an official delegation to Iraq to finalise the draft, possibly followed by a Ministerial visit to sign it.

2. Before authorising you to present the draft MOU and our proposals to the Iraqis, we first wish to ensure that such action will not be misunderstood in Iran and Saudi Arabia. Instructions are being sent separately to HM Representatives in those countries. You should await their replies and my

•further instructions before taking action with the
Iraq Government.

3. We see no reason at this stage for any action
within the EEC to inform members.

NOTHING TO BE WRITTEN IN THIS MARGIN

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No. Department IED Drafted by PH Williams (Block Capitals) Tel. Extn. MB 1080		OUTWARD TELEGRAM	Security Classification CONFIDENTIAL Precedence ROUTINE DESKBYZ
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AND TO (precedence/post) **JEDDA**

AND SAVING TO.....

REPEATED TO (for info) **WASHINGTON, BAGHDAD, KUWAIT**

SAVING TO (for info) **UN REP BRUSSELS**

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Copies to:-

Mr Lindley,
 D of End
 Mr Corley DT
 Mr Bryant DT
 Mr S Baker DT
 Mr Rednall ODM
 Mr Sinclair
 HM Treasury

[TEXT]

MY TEL NO TO BAGHDAD: ECONOMIC RELATIONS WITH IRAQ:
 PROPOSED MOU

1. As you will have seen from my TUR, we are now ready to proceed with negotiations with the Iraq Government on their request at the time of resumption that we should send an economic delegation to Baghdad to explore the possibility of concluding an agreement on economic and technical cooperation.

2. Before authorising HM Chargé Baghdad to proceed, I should be grateful if the action recipients of this telegram would inform the Government to which they are accredited of what we are proposing. I assume from Tehran Tel no 324 (not to Washington) that HM Ambassador Tehran will wish to mention it to the Shah and that in

the light of Jedda tel no 459 to FCO, HM

AM

Ambassador Jedda will wish to speak to the Minister of State in the IFA. Washington have discretion to inform the State Department.

3. In speaking on the lines of para 1 above you should emphasise wherever appropriate the following points:

- (a) We hope, in proposing the MOU, as we hoped in resuming relations with Iraq, that this will contribute to our mutual long-term interest in weaning Iraq away from dependence on Eastern bloc countries for her requirements for economic development;
 - (b) The draft MOU for Iraq, based on that proposed for Saudi Arabia, involves no more than a framework for consultation on the development of our trade relations with Iraq;
 - (c) The draft contains no financial undertakings;
 - (d) It is not our intention that an economic agreement with Iraq should be linked in any way with the question of defence supplies or with any "bilateral" oil deal.
4. Please report action taken by telegram.

NOTHING TO BE WRITTEN IN THIS MARGIN

Department **MEED**
Drafted by
(Block Capitals) **E. K. Williams**
Tel. Extn. **ME 1000**

OUTWARD
TELEGRAM

Security Classification
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FOR
COMMS. DEPT.
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(Date)

(Time)Z

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(Time of Origin)Z(G.M.T.)

(Security Class.) **CONFIDENTIAL**

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Privacy Marking).....

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TO **ROUTINE** **BAGHDAD** Tel. No. of
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AND TO (precedence/post) **TEHRAN**

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REPEATED TO (for info).....

SAVING TO (for info) **KUWAIT, JEDDA, WASHINGTON, UK REP BRUSSELS**

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Copies to:-

Mr Lindley, D.En
Mr Corley, DT
Mr Bryant, DT
Mr S Baker, DT
Mr Rednall, ODM
Mr Sinclair
HM Treasury

[TEXT]

MIPT: Following is text of draft MOU between
Governments of Iraq and HMG on economic cooperation.
Begins

[A - B]

CONFIDENTIAL



DRAFT MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENTS
OF THE UNITED KINGDOM AND IRAQ ON ECONOMIC COOPERATION
(To be signed in English and Arabic)

A

The Government of the United Kingdom of Great Britain and
Northern Ireland and the Government of Iraq;

- anxious to strengthen friendly relations between their
two countries;
- desiring the earliest possible reinforcement of economic,
commercial and technological cooperation between their
countries to their common advantage;
- recognising the importance of taking further urgent
measures to facilitate progress towards this end;

have decided to set up a Joint Commission with the following
terms of reference:

- (i) The members of the Joint Commission will be the
and the or their
Ministerial deputies assisted by officials and other advisers;
- (ii) The Joint Commission will seek to identify areas of
common interest in the furtherance of economic, commercial,
and technological cooperation between the United Kingdom and
Iraq and, in particular, will examine urgently how the two
countries can best cooperate in the implementation of development
projects in Iraq;
- (iii) The Joint Commission will facilitate negotiations between
British and Iraqi commercial and industrial organisations and
with British and Iraqi authorities and will keep under review
the progress of development projects involving British groups
and companies and the Iraqi authorities and the prospects of
encouraging further such cooperation;



(iv) The Joint Commission will examine arrangements through the intermediary of the two governments and commercial and industrial organisations for supporting programmes of technical training and the provision of expertise and technology;

(v) The Joint Commission will meet at least once a year in London and Baghdad alternately or such other places as the Joint Commission may decide. The Joint Commission may delegate to Committees of officials such matters as the Joint Commission may decide and may establish additional bodies to further the aims of the Commission by the association of industrialists and other experts in its work;

(vi) The full title of the Joint Commission will be the Iraq/United Kingdom Economic Commission.

The Memorandum of Understanding can be revoked by either party by giving six months' notice in writing.

In witness whereof, the under-signed duly authorised thereto by their respective Governments, have signed this Memorandum of Understanding.

/ B

For the Government of the United
Kingdom of Great Britain and
Northern Ireland

For the Government of Iraq

(30)

3 July 1974

RECEIVED IN	
REGISTRY NO. 38	
- 8 JUL 1974	
ME-12/359/1	

P R H Wright Esq
Foreign and Commonwealth Office
LONDON SW1

Mr L. L. L.

*pa
8/7*

DRAFT MEMORANDUM OF UNDERSTANDING ON ECONOMIC
CO-OPERATION WITH IRAQ

You sent me a copy of your letter of 2 July to
Peter Corley and the enclosed draft telegrams
about our proposed Memorandum of Understanding
with Iraq.

I have no comments on your drafts although I
wonder whether (in order to emphasise that the
draft will be in English and Arabic) it would
not be wise to telegraph the entire text of
the Draft Memorandum including the top and tail.

I am sending copies of this letter to Peter Corley
and to those to whom you sent copies of your
letter.

cc Mr Cloake TRED
Mr Egerton END ✓
Mr Braithwaite EID(E)

E J Lindley
Oil Policy (Overseas) Div.

RECEIVED IN	
REGISTRY No 38	
26 JUL 1974	
ME 12	259/1

Mr v Loeblin

cc of dim D/En
a pa gff 25/7

Mr Wright
Mr Clark
Mr Egerton

Separate copies
pse.

I understand from Protocol & Conference Department that the Iraqi Embassy has now an Oil Attaché. He is Mr Othman Abdul Baki al-Rawi.

P. K. Williams

P K Williams
Middle East Department

17 July 1974

CONFIDENTIAL

32

GRS 300

IMMEDIATE

OPHER/CAT A

FM ECO 121615Z

CONFIDENTIAL

DESKBY 130530Z

TO IMMEDIATE BAGHDAD TELNO 197 OF 12 AUGUST, 1974

PLEASE PASS FOLLOWING TO IPC

FOR PETHERAM FROM GOFF

IPC/454

1. FIRSTLY. WE HAVE LITTLE MORE TO ADD TO OUR MESSAGE TO PAWSON NO. 453. LIFTINGS CONTINUE TO BE MAINTAINED AT A HIGH LEVEL AND WE ARE QUITE HOPEFUL THAT EXPORTS WILL AVERAGE AROUND THE ONE MILLION B/D MARK FOR THE MONTH OF AUGUST AS A WHOLE. THIS DESPITE THE FACT THAT INOC NOMINATIONS ARE FALLING. OUR RATE OF LIFTING FOR THE YEAR TO DATE IS 62% OF TOTAL LIFTINGS; OUR RATE FOR THE FIRST ELEVEN DAYS OF AUGUST IS 80% DEMONSTRATING THE FACT THAT WE ARE DOING THE LION'S SHARE.

2. SECONDLY. WE CANNOT MAKE A DEFINITE TONNAGE COMMITMENT BUT IT DOES SEEM TO BE RATHER ACADEMIC. WE SUGGEST, THEREFORE, THAT YOU SHOULD TELL CHELABI THAT HIS MESSAGE HAS BEEN HEARD AND THAT OUR ACTIONS SPEAK LOUDER THAN WORDS, DEMONSTRATED IN THE HIGH LIFTING RATE TO DATE, AND THAT BPC IS REASONABLY HOPEFUL THAT THIS RATE WILL BE MORE OR LESS MAINTAINED FOR THE REST OF THE MONTH. YOU SHOULD POINT OUT THAT INOC LIFTINGS ARE EVEN WORSE THAN ANTICIPATED. IF HE AGAIN RAISES THE QUESTION OF ONE MILLION TONS YOU CAN ONLY SAY THAT YOU ARE UNINSTRUCTED AND HOPE THAT HE WILL REFRAIN FROM MAKING AN ISSUE OF IT. THAT, AFTER ALL, RESULTS ARE WHAT COUNT AND HE IS CERTAINLY GETTING RESULTS.

3. THIRDLY. WE HAVE NOW DECIDED NOT TO APPROACH CHELABI REGARDING THE USE OF BLACK GROUP TANKERS NOMINATED BY WHITE GROUPS BECAUSE OF THE REASONS PAWSON HAS DISCUSSED WITH YOU. WE ARE HOWEVER ACCEPTING SUCH NOMINATIONS EFFECTIVE IMMEDIATELY. FOR THE TIME BEING, BLACK GROUPS NOMINATIONS MADE BY WHITE GROUPS WILL CONTINUE TO BE SUBJECT TO WHITE GROUP DOCUMENTATION. GILLAN IS BEING FULLY BRIEFED ON THIS SUBJECT AND WILL BE HAPPY TO DISCUSS WITH YOU UPON HIS RETURN.

CALLAGHAN

FILES

MED MR CAMPBELL
END SIR D MAITLAND
STD MR MARSHALL

CONFIDENTIAL

LKS NR 540/21

PP FCO

GRS 450

CYPHER CAT A

FM BAGHDAD 210910Z AUG.

C O N F I D E N T I A L

TO PRIORITY FCO TEL NO 299 OF 21 AUGUST 1974.
PLEASE PASS THE FOLLOWING TO IPC :-

BEGINS.

469.

FOR GOFF FROM PETHERAM.

FURTHER TO MY 468, I SAW CHALABI, AS ARRANGED, ON
TUESDAY 20TH.

FIRSTLY, I INFORMED HIM REGARDING AUGUST LIFTINGS AND HE
WAS PLEASED.

SECONDLY, CHALABI SAID THAT HE HAD JUST BEEN
ADVISED THAT INOC'S SEPTEMBER NOMINATIONS SO FAR AMOUNTED
TO 800,000 TONS. HE CONFIRMED THAT THE JAPANESE DEAL HAD BEEN
SIGNED, BUT SAID THERE WAS STILL PROBLEMS AND IT WOULD TAKE
SOME TIME FOR LIFTINGS TO GET UNDERWAY. BPC'S SHAREHOLDERS
WOULD, THEREFORE, BE ASKED TO LIFT AN ADDITIONAL ONE MILLION
TONS DURING SEPTEMBER, AS WELL AS DURING AUGUST. I REPLIED
THAT WITHOUT ANY COMMITMENT I WOULD ENSURE THAT THIS INFORMATION
WAS PASSED ON.

THIRDLY, DURING THE FOURTH QUARTER, CHALABI CONTINUED,
INOC WOULD BE IN A POSITION TO LIFT MUCH MORE, ESPECIALLY DURING
NOVEMBER AND DECEMBER (HE SAID HE WAS NOT YET IN A POSITION
TO SPEAK ABOUT OCTOBER) AND WOULD BE ABLE TO TAKE BACK THE TWO
MILLION TONS UNDER- LIFTED DURING AUGUST AND SEPTEMBER. I REPLIED
THAT I COULD NOT SAY ANYTHING ABOUT THE PAY-BACK ARRANGEMENTS,
HAVING RECEIVED NO INSTRUCTIONS IN THIS REGARD. CHALABI, WHO
HAD APPARENTLY ASSUMED THAT HIS PROPOSAL FOR A SWAP

ADVANCE COPY

33

Whodunnit

2/18

Mr Campbell

Not MED

Not Emergency Dept

[FILED]

Xerox 3.

HAD APPARENTLY ASSUMED THAT HIS PROPOSAL FOR A SWAP ARRANGEMENT RELATING TO AUGUST OVERLIFTINGS HAD BEEN AGREED, ASKED ME TO CONFIRM THAT SHAREHOLDERS HAD BEEN INFORMED OF IT. **TH** I DID AND REMINDED CHALABI THAT THE GOVERNMENT HAD BEEN ANXIOUS TO AVOID ANY SIGNIFICANT SHORTFALL IN THE SOUTH DURING AUGUST DUE TO INOC'S UNDERNOMINATIONS AND HAD WANTED THE BPC'S CAPACITY FULLY UTILISED. SHAREHOLDERS HAD RESPONDED TO HIS MESSAGE BY INCREASING THEIR LIFTINGS, SO THAT THE GOVERNMENT'S OBJECTIVE WAS BY WAY OF BEING ACHIEVED. HOWEVER, WE WERE UNINSTRUCTED REGARDING THE PAY-BACK ARRANGEMENTS. CHALABI ADMITTED THAT ALL THIS WAS TRUE AND ASKED WHETHER I THOUGHT IT WOULD BE ADVISABLE FOR HIM TO WRITE US A LETTER ABOUT THE ARRANGEMENT. WHEN I REPLIED THAT I DID NOT CONSIDER SUCH A LETTER NECESSARY, HE SAID HE WOULD NEED FROM THE SHAREHOLDERS CONFIRMATION OF THE UNDERSTANDING, BUT, HE ADDED, NOT NECESSARILY IN WRITING. HE MODIFIED THIS AT THE CONCLUSION OF OUR MEETING SAYING THAT THE MINISTRY WOULD WANT A LETTER (HE DID NOT SAY FROM WHOM), BUT NOT NOW. HE SAID HE WOULD LET ME KNOW WHEN HE WANTED A LETTER AND THE MATTER WAS LEFT ON THIS BASIS.

FOURTHLY, ON RETURNING TO MY OFFICE I FOUND DURING MY ABSENCE LETTER NO. 1314 DATED 19TH AUGUST FROM THE OFFICE TO THE CONTROLLER OF COMPANIES ACCOUNTS (ONE OF CHALABI'S DEPARTMENTS) HAD BEEN DELIVERED, SIGNED BY THE ACTING MINISTER. LETTER READS AS FOLLOWS :

'WE HAVE TO REFER TO THE VERBAL DISCUSSION BETWEEN THE UNDER SECRETARY AT THE MINISTRY OF OIL AND MINERALS AND THE GENERAL REPRESENTATIVE AND THE MANAGER CONCESSIONARY AFFAIRS OF YOUR COMPANY.

PLEASE CONFIRM THAT YOU WILL LIFT ABOUT ONE MILLION TONS OF CRUDE OIL PRODUCED FROM THE PASRAH FIELDS DURING THE MONTH OF AUGUST OF THIS YEAR FROM THE SHARE OF THE IRAQ NATIONAL OIL COMPANY, THE COMPANY IN QUESTION TO BE COMPENSATED WITH THE ABOVE QUANTITY DURING THE LAST QUARTER OF THIS YEAR.'

I CAN ONLY CONCLUDE THAT THE LETTER WAS PREPARED ROUTINELY DURING CHALABI'S ABSENCE AND WAS ISSUED WITHOUT HIS KNOWLEDGE.

ENDS.

GIDDENS

BT

IMMEDIATE
CYPHER/CAT A

FM FCO 281605Z

(NB)

CONFIDENTIAL

DESKBY 290530Z

TO IMMEDIATE BAGHDAD TELNO 211 OF 28 AUGUST. 1974

PLEASE PASS FOLLOWING TO IPC.

FOR PETHERHAM FROM GOFF.

IPC/456

FIRSTLY. BRITISH PRESS HAS IN PAST FEW DAYS CARRIED VARIOUS REPORTS CITING CUTBACKS IN ARABIAN GULF OIL PRODUCTION WHICH NOW HAVE REACHED EVEN SAUDI ARABIA. REPORTS REFER TO GLUT OF OIL, OVERFULL TANKS IN CONSUMER COUNTRIES AND ORDERS TO OCEAN GOING TANKERS TO STEAM AHEAD AT REDUCED SPEED. ESTIMATES OF THE GLUT VARY FROM TWO MILLION B/D TO AS MUCH AS FOUR MILLION B/D. IN THE CIRCUMSTANCES THE EFFORTS OF SHAREHOLDERS AT BASRAH IN AUGUST AND POSSIBLY SEPTEMBER NEED TO BE FULLY APPRECIATED BY CHELABI ET AL.

SECONDLY. WHEN YOU DO TALK TO CHELABI YOU MAY WANT TO POINT OUT THE INCREASING AVAILABILITY AT BASRAH OVER THE NEXT FEW MONTHS. INOC'S SHARE OF AVAILABILITY RISES FROM APPROXIMATELY 448 THOUSAND B/D IN SEPTEMBER TO ABOUT 500 THOUSAND B/D IN DECEMBER. CONSIDERING THEIR CURRENT LIFTING LEVEL AND THE STATE OF THE INTERNATIONAL OIL MARKET AS MENTIONED ABOVE IT IS DIFFICULT TO BELIEVE THAT THEY CAN ACHIEVE THIS LIFTING RATE PLUS AN ADDITIONAL 2 MT IN THE FOURTH QUARTER. THEREFORE WE ARE CONSIDERING ASKING YOU TO TAKE CHELABI THROUGH THE AVAILABILITY NUMBERS AND THE OIL GLUT PROBLEM IN AN ATTEMPT TO EXPLAIN WHY WE DO NOT PROPOSE TO AGREE TO A SPECIFIC PAY-BACK ARRANGEMENT. RATHER WE PROPOSE THAT INOC AND WE SHOULD NOMINATE IN THE FOURTH QUARTER FOR THE OIL WE REQUIRE. IF THE TOTAL NOMINATIONS SHOULD UNEXPECTEDLY EXCEED AVAILABILITY WE CAN THEN SIT DOWN AND DISCUSS THE PROBLEM. THE IMPLICATION IS THAT IF WE WERE FORCED TO REPLY TO THE LETTER IT WOULD HAVE TO BE NEGATIVE AND THEREFORE WE STRONGLY RECOMMEND THAT THE MINISTRY AND INOC SHOULD ADOPT A WAIT AND SEE APPROACH. THIS WOULD GIVE YOU AN OPPORTUNITY TO ALLUDE TO THE ECONOMIC PENALTY OF LIFTING EXTRA IN THE SUMMER AND PAYING BACK IN THE WINTER WITHOUT MAKING AN ISSUE OF IT.

THIRDLY. OUR STRATEGY IS TO AVOID CONFRONTATION ON THIS ISSUE BEFORE YEAR END IF POSSIBLE. THE LETTER SEEMS TO SAY THAT WE ARE EXPECTED TO REPAY THE ENTIRE ONE (SOON TO BE TWO) MILLION TONS,

/IGNORING

CONFIDENTIAL

CONFIDENTIAL

IGNORING THE FACT THAT UNDER THE AD HOC LIFTING ARRANGEMENTS WE ARE CLEARLY ENTITLED TO FIFTYSEVEN PERCENT OF THE OIL LIFTED AND, IF ANY PAYBACK IS INVOLVED, IT IS LIMITED TO THE REMAINING 43%. THERE ARE TWO OBJECTIONS TO THE LETTER: THE AMOUNT OF PAYBACK AND THE TIMING OF PAYBACK. IF INOC AND THE MINISTRY ARE PREPARED TO GO ALONG WITH THE POSITION SET OUT IN SECONDLY ABOVE, WE WILL HAVE TO REVIEW THE RELATIVE LIFTING POSITIONS AT YEAR END AND BECAUSE VOLUMES MAY BE MUCH LARGER THAN AT THE END OF 1973, A FORMAL PROCEDURE FOR HANDLING IMBALANCES BETWEEN OURSELVES AND INOC MAY HAVE TO BE DEVELOPED.

FOURTHLY, THE SHORT OF IT IS THAT THE GOVERNMENT'S INSISTENCE ON PAYBACK IN THE FOURTH QUARTER MAY NEEDLESSLY ACT AS A DISINCENTIVE TO GROUPS TO CONTINUE TO HELP OUT IN THIS PERIOD OF GLUT. IF WE COULD GENTLY CONVEY THIS, IT APPEARS TO US THAT BOTH WE AND INOC WILL BE ABLE TO GET THROUGH THE FOURTH QUARTER WITHOUT CONFLICT. OF COURSE ALL OF THIS IS NONSENSE IF INOC CAN IN FACT LIFT EX BPG AT A RATE OF 725 THOUSAND B/D IN NOVEMBER AND DECEMBER.

FIFTHLY, THIS IS ALL BY THE WAY OF BACKGROUND FOR YOU TO DIGEST AND REACT TO IF YOU WISH. YOU SHOULD NOT USE IT WITH CHELABI UNTIL AND UNLESS I CONFIRM IN A SUBSEQUENT MESSAGE, AT WHICH TIME I HOPE TO BE ABLE TO GUIDE YOU ON SEPTEMBER LIFTINGS.

CALLAGHAN

F I L E S

MED

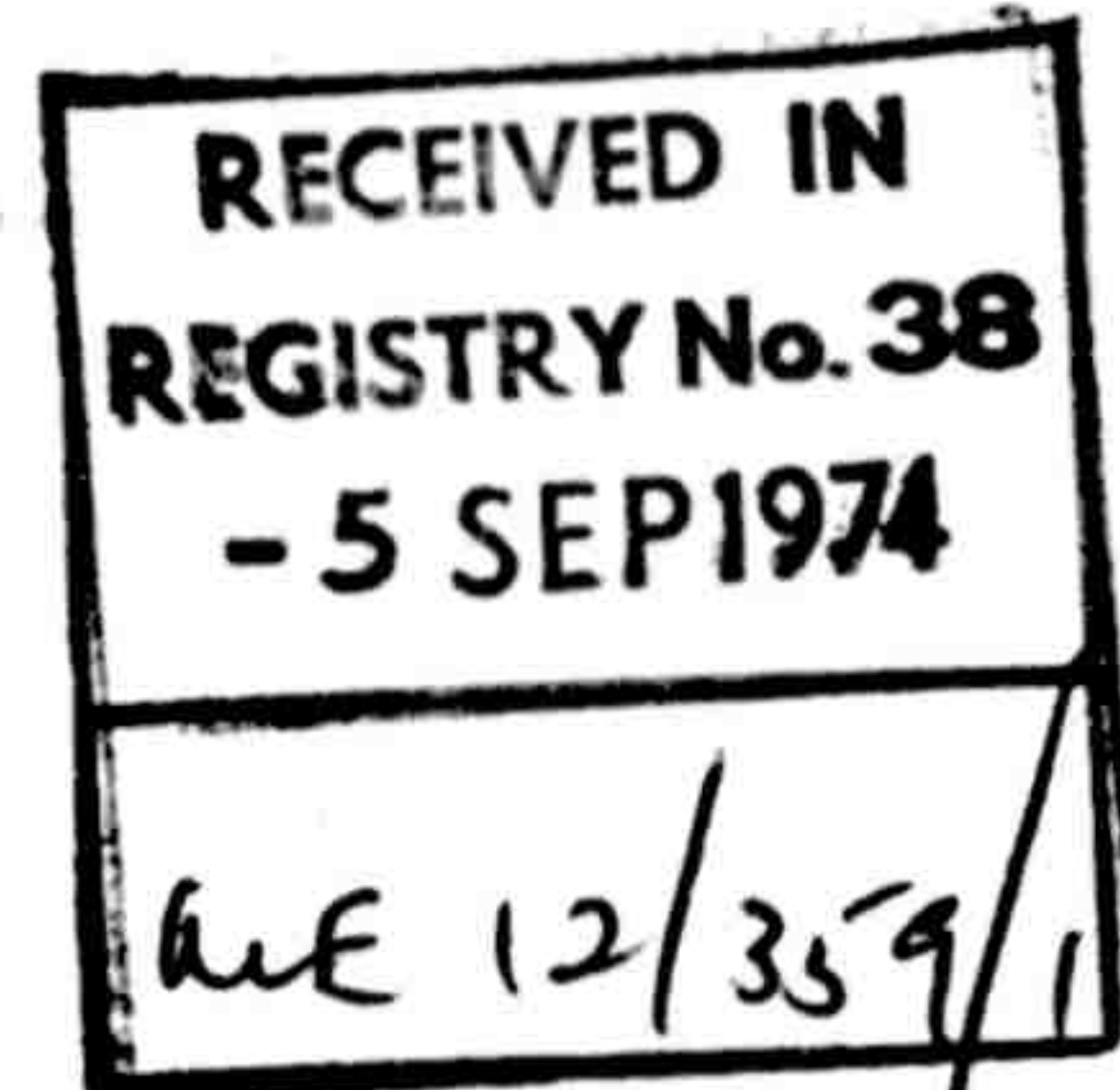
EN D

STD

MR CAMPBELL

MR WILTON

SIR D MAITLAND



Mr Egerton

IRAQ - OIL OUTPUT

1. You asked me for a paragraph for Mr Wilton's information about the problems the oil companies are facing in Iraq over oil liftings. Mr Sutcliffe mentioned this subject at Mr Wilton's meeting this morning.

2. Average production in Iraq in the first quarter of 1974 was 1.95 mbd. In the second quarter it dropped to 1.83 mbd. The reason for this drop in production has been the high price of Iraq oil. INOC has been unable to sell its full output, especially from the nationalised northern fields, the oil from which is shipped via the eastern Mediterranean. INOC's liftings from the Gulf have also dropped: its nominations for September are 0.8 M tons instead of the normal 1.64 M tons. The Iraqis have asked the shareholders in Basrah Petroleum Company to lift an extra million tons in August and in September, promising to take back the under-liftings in November and December, by which time Japanese liftings under their direct oil deal will be underway. The companies are trying to meet the Iraqis' wishes. In the first 7 months BPC's rate of lifting was 62% of total liftings. During the first 11 days of August the company raised the rate to 80%. It is clear from BPC's telegrams that they do not believe INOC can take up the additional 2 M tons in the first quarter since their entitlement will rise by 50,000 barrels a day by December. Negotiations are continuing and the companies are doing their best to avoid a confrontation.

29 August 1974

G P Lockton

Many thanks.

Wilton 30/8

Mr Wilton

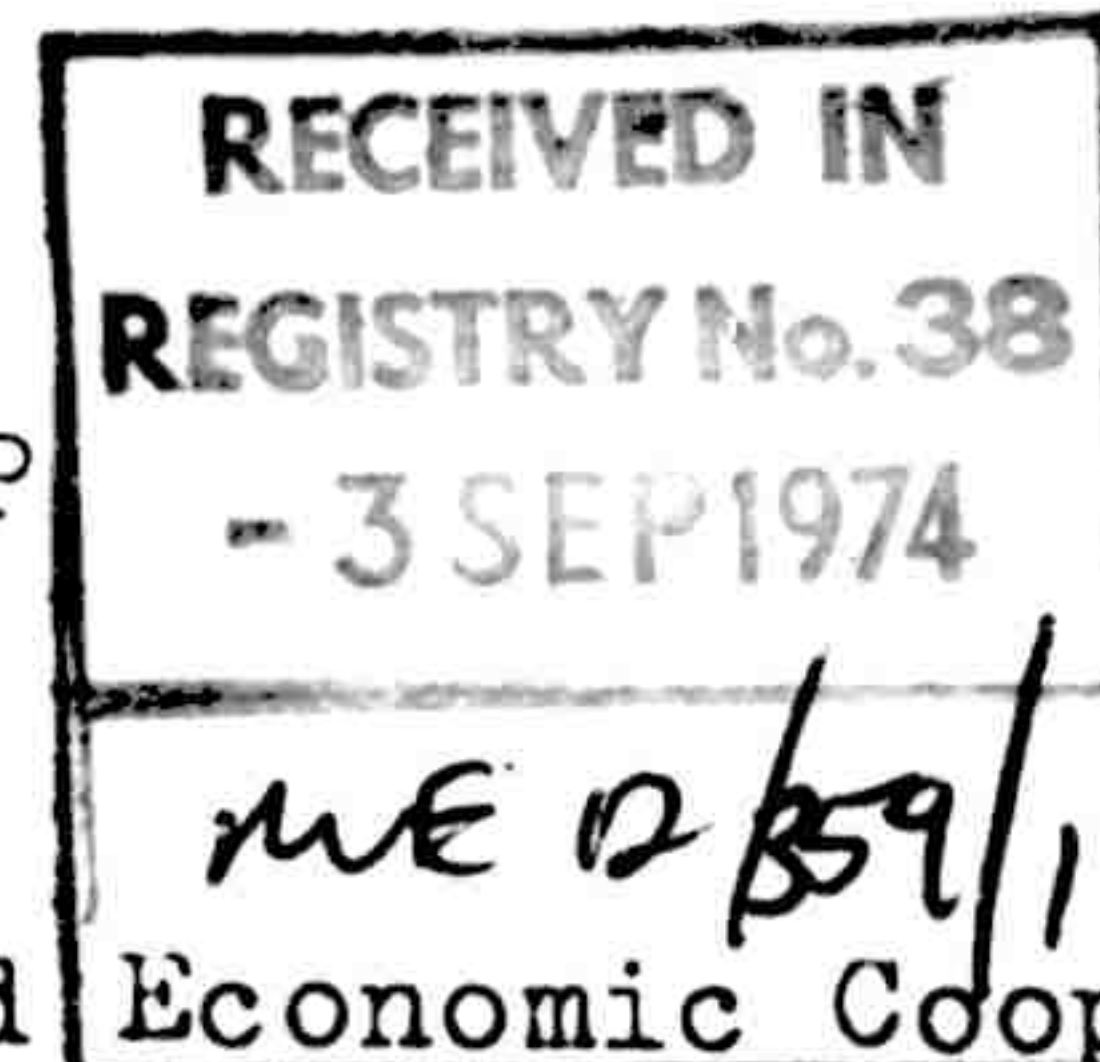
Thank you
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pa
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74/17

MIDDLE EAST STEERING GROUP

IRAQ - INDUSTRIAL COOPERATION



36
pa
8/29

Italy and Japan have recently concluded Economic Cooperation Agreements with Iraq, the substantive terms of which are summarised below.

Japan

- (a) Japan will extend through the Export-Import Bank a credit of about \$250 million repayable over 18 years with a grace period of 7 years at 4%. Japan will also facilitate the provision on a commercial basis by Japanese non-government sources of credit of about \$750 million repayable over 8 years with a 2 year grace period at 6.3%. The extension of these loans will be subject to further arrangements between the two Governments within 4 years from the date of signature of the agreement.
- (b) Iraq is to facilitate the conclusion of long term contracts for the stable supply of crude oil and products to Japan. (Agreement has not apparently been reached on the terms for the supply of the oil, but reports indicate that the Iraqis are asking for 93¢ of posting ie \$10.86 per barrel and the Japanese are offering \$10.30 cash or \$10.50 payable at 90 days. The quantities envisaged are 90 million tons of crude and 70 million tons of product and LPG over 10 years.)
- (c) Japan will send technical experts and survey groups to Iraq and pay for Iraqi trainees to study in Japan.

Italy

- (a) Italy will provide "credit fournisseurs" repayable over 5 years at low but unspecified interest rates up to a maximum of 20% of the cost of each project and up to a maximum of £75 million for 1975.
- (b) Italy will provide technical assistance, but the extent of this commitment is unknown.
- (c) Iraq has undertaken to increase supplies of oil to Italy "in relation to the development of economic cooperation between the two countries". There appears to be no formal commitment to particular quantities or prices.

2 These two agreements have unwelcome implications in the wider context of the financial aspects of the energy crisis. So far as the work of MESG is concerned the omens for our own proposals for an agreement with Iraq are not propitious. We have not yet had any reaction from Iraq to our proposals submitted in response to their desire to have an agreement with us and it may be that they are awaiting the outcome of a possible election in the Autumn before opening negotiations. At best we may be able to deflect embarrassing demands for

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generous credit terms on the grounds that we are not seeking to purchase oil by way of bilateral deals, at least not by way of bilateral deals as distinct from the normal operations of the oil companies. But it seems more probable that the negotiations will quickly run into difficulties.

3 We are thus faced with a situation in which the Japanese, and to a lesser extent the Italians may be expected to have an advantage in the Iraq market by virtue of more generous credit and technical assistance terms than we are prepared to offer and where our firms' efforts may be adversely affected if our own negotiations run into difficulties.

4 It was originally envisaged that an industrial mission would go to Iraq when the MOU had been signed. In the light of the foregoing it has been decided not to delay this mission which is now being assembled under COMET auspices with a view to going to Iraq in November.

5 (a) This paper is circulated to MESSG for information.

(b) It would however be desirable to consider at the next meeting of MESSG whether there is any room of window dressing (not involving concessions on our part) which we could consider using if the negotiations prove difficult.

(c) We shall also need to consider whether Iraq merits its present place in the list of priority countries.

30 August 1974

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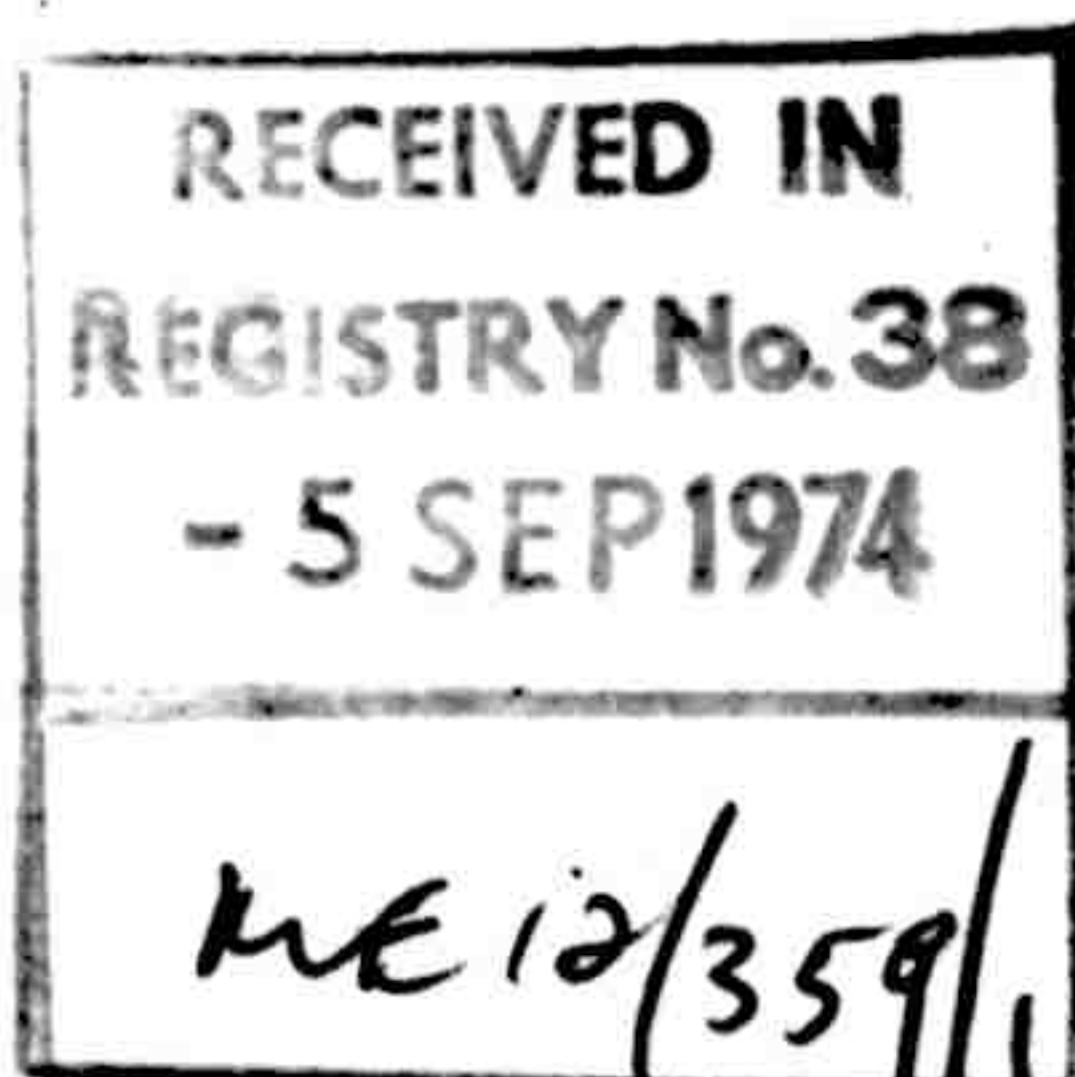


DEPARTMENT OF TRADE AND INDUSTRY
1 VICTORIA STREET

LONDON SW1H 0ET

01 222 7877

J F Slater Esq
H M Treasury
Parliament St
SW1



30 August 1974

Mr Lockhart

*pa
6/1*

THE IRAQ/JAPAN AND IRAQ/ITALY ECONOMIC COOPERATION AGREEMENTS

You will no doubt have seen Tokyo telegram No 737 of 23 August recording the terms of the recent Japanese/Iraq agreement. The terms the Japanese have conceded to much further than the terms conceded by the Italians and taken together the two agreements seem to us to amount to a major breach in the consensus which seemed to be emerging from ECG. There is also an unwelcome bilateral oil deal element in the Japanese agreement. I assume that the appropriate committees will be considering the implications in due course.

In the meanwhile I am circulating a paper to NESG about the implications for our own proposed agreement with Iraq, which are not propitious.

P M S CORLEY

cc Mr Mason ECGD
Mr Lindley D/Energy
✓ Mr Egerton FCO
Mr Wright FCO
Mr Cambridge FCO
Mr Rednall ODM
Mr Chapman ECGD

GR 850/3

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RECEIVED IN REGISTRY No. 76
ME 12/3597/1

Copies for.

R Taylor

R Lindsay

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D/W

JUN 26/7

TO ROUTINE FCO TELNO 737 OF 23 AUGUST 1974, REPEATED FOR INFO
TO ROUTINE TEHRAN, BAGHDAD AND JEDDA, SAVING TO WASHINGTON AND
UK DEL OECD.

JAPAN/IRAQ ECONOMIC CO-OPERATION.

1. AS HAS BEEN REPORTED IN THE PRESS ON 16 AUGUST MR KIMURA, THE JAPANESE MINISTER OF FOREIGN AFFAIRS, AND MR AZZAWI, IRAQI MINISTER FOR ECONOMIC AFFAIRS, SIGNED THE JAPAN/IRAQ ECONOMIC AND TECHNICAL AGREEMENT. THE AGREEMENT PROVIDES THAT:

(A) THE TWO GOVERNMENTS WILL STRENGTHEN THEIR ECONOMIC AND TECHNICAL CO-OPERATION. JAPAN WILL DESPATCH TECHNICAL EXPERTS AND SURVEY GROUPS TO IRAQ, WHILE PAYING FOR IRAQI TRAINEES TO STUDY IN JAPAN.

(B) THE JAPANESE GOVERNMENT WILL CO-OPERATE WITH THE IRAQI GOVERNMENT TO FACILITATE THE OFFERING OF A YEN LOAN AND OTHER CREDITS FOR THE IMPLEMENTATION OF IRAQ'S ECONOMIC DEVELOPEMENT PLANS. JAPAN WILL EXTEND THROUGH THE EXPORT-IMPORT BANK CREDIT OF YEN 74,500 MILLION (ABOUT DOLLARS 250 MILLION). THE LOAN WILL BE FOR 18 YEARS WITH A GRACE PERIOD OF 7 YEARS AT A RATE OF INTEREST OF 4 PER CENT. JAPAN WILL ALSO FACILITATE THE PROVISION ON A COMMERCIAL BASIS BY JAPANESE PRIVATE ENTERPRISE OF CREDIT OF YEN 223,500 MILLION (ABOUT DOLLARS 750 MILLION). THE REPAYMENT PERIOD WILL BE 8 YEARS WITH A GRACE PERIOD OF TWO YEARS AT A RATE OF INTEREST OF 6.3 PER CENT. THE EXTENSION OF THESE YEN LOANS AND CREDITS WILL BE SUBJECT TO FURTHER ARRANGEMENTS BETWEEN THE TWO GOVERNMENTS TO BE MADE WITHIN FOUR YEARS FROM THE DATE OF SIGNATORY.

(C) THE IRAQI GOVERNMENT WILL FACILITATE THE CONCLUSION OF LONG-TERM CONTRACTS FOR THE STABLE SUPPLY OF CRUDE OIL AND PRODUCTS TO JAPAN.

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/2. THE SIGNING

2. THE SIGNING OF THIS AGREEMENT MARKS A STEP FORWARD IN THE IMPLEMENTATION OF THE PROMISE OF ECONOMIC ASSISTANCE MADE BY MR NAKASONE, MINISTER FOR INTERNATIONAL TRADE AND INDUSTRY, WHEN HE VISITED IRAQ AT THE BEGINNING OF THIS YEAR. MITI HAVE TOLD US THAT THE PROJECTS TO BE COVERED BY THE LOAN AGREEMENT HAVE NOT YET BEEN FINALISED. IN THE COURSE OF THE NEGOTIATIONS THERE HAS BEEN A BASIC DIFFERENCE OF APPROACH BETWEEN THE IRAQ AND JAPANESE SIDES. WHILE THE IRAQ'S APPEARED TO IMAGINE THAT ONCE THE LOAN AGREEMENT HAD BEEN SIGNED, THE JAPANESE GOVERNMENT COULD DIRECT PRIVATE FIRMS TO PARTICIPATE IN THE VARIOUS PROPOSED PROJECTS IN IRAQ, THE JAPANESE HAD MADE IT CLEAR THAT SPECIFIC CONTRACTS WOULD HAVE TO BE NEGOTIATED WITH THE JAPANESE FIRMS INVOLVED. THE JAPANESE ENVISAGE THE LOANS BEING USED FOR THE PROVISION OF AN OIL REFINERY, PETRO-CHEMICAL, FERTILISER AND CEMENT PLANTS, AND ALUMINIUM SMELTER AND LPG LIQUEFACTION PLANT. DETAILED CONTRACTS WILL NOT HOWEVER BE SIGNED UNTIL LATER IN THE YEAR AT THE EARLIEST.

3. THE MINISTRY OF FOREIGN AFFAIRS HAVE EMPHASISED THAT THE AGREEMENT DOES NOT DIRECTLY LINK JAPANESE ASSISTANCE TO THE SUPPLY OF SPECIFIC QUANTITIES OF OIL. FURTHERMORE, AGREEMENT HAS YET TO BE REACH

D ON THE PRICE TO BE PAID BY JAPAN. NEVERTHELESS, WE HAVE BEEN TOLD THAT IT IS UNDERSTOOD ON BOTH SIDES THAT OVER A TEN YEAR PERIOD JAPAN WILL BE PROVIDED WITH 90 MILLION TONS OF CRUDE OIL AND A TOTAL OF 70 MILLION TONS OF OIL PRODUCT AND LPG. IN THE FIRST INSTANCE, THE PRICE TO BE PAID DURING THE FIRST YEAR WILL BE NEGOTIATED. ALREADY THERE HAVE BEEN SEVERAL ROUNDS OF DISCUSSIONS. IN JULY THESE WERE ADJOURNED WHEN NO COMPROMISE WAS REACHED BETWEEN IRAQ'S DEMAND FOR 93 PER CENT OF POSTING, (I.E. DOLLARS 10.86 PER BARREL) AND JAPAN'S OFFER OF DOLLARS 10.50 PER BARREL WITH 90 DAY USANCE OR DOLLARS 10.30 IN CASH. A FURTHER NEGOTIATING TEAM WILL BE GOING TO IRAQ LATER THIS MONTH TO CONTINUE THE DISCUSSIONS.

4. THE MINISTRY OF FOREIGN AFFAIRS, WHO HAVE MADE NO SECRET OF THEIR DISTASTE FOR THIS AGREEMENT WHICH RESULTED FROM A PERSONAL INITIATIVE BY MR NAKASONE, HAVE PLAYED DOWN ITS POLITICAL IMPORTANCE AND ITS IMPACT ON JAPAN'S RELATIONS WITH OTHER OIL PRODUCING NATIONS. HM EMBASSY IN TEHRAN MAY WISH TO COMMENT

/ON THE REACTIONS

ON THE REACTIONS OF THE IRANIAN GOVERNMENT BUT THE IRANIAN AMBASSADOR HERE HAS MADE A POINT OF STRESSING TO US HIS DISAPPROVAL OF THE SIGNING OF THE AGREEMENT. THE JAPANESE , HOWEVER, STRESS THAT IT IS PURELY AN ECONOMIC AGREEMENT. MITI HAVE POINTED OUT THAT FRANCE HAS SUCCESSFULLY MANAGED TO DEVELOPE HER ECONOMIC RELATIONS WITH BOTH IRAN AND IRAQ AND HENCE THERE OUGHT TO BE NO BARRIER TO JAPAN DOING LIKEWISE. THEY APPEAR INTENT UPON PRESSING AHEAD WITH THE NEGOTIATIONS FOR A SIMILAR LOAN AGREEMENT WITH IRAN AS PROMISED BY MR NAKASONE, DESPITE THE UNFAVOURABLE CONDITIONS SO FAR IMPOSED BY THE IRANIANS. JAPANESE INDUSTRY HOWEVER SEEMS LESS ENTHUSIASTIC. IDEMITSU KOSAN WHICH HAS BEEN NEGOTIATING WITH THE IRAQIS ON BEHALF OF THE JAPANESE OIL INDUSTRY, ON 22 AUGUST ANNOUNCED THAT IT INTENDED TO PULL OUT OF THE IRANIAN PROJECT.

FCO PSE PASS TO SAVING ADDRESSEES.

WESTLAKE

/REPEATED AS REQUESTED/

FILES

MED
FED
ENERGY D
ECONOMISTS D
S & TD
NEWS D
MR CAMPBELL
MR MALE
MR WILTON

Mr Burton (MED W92)

JAPAN/IRAQ ECONOMIC COOPERATION

1. In the course of a meeting on 23 September with Mr Williams of the Department of Energy, Mr Toyonaga, the MITI member of the Japanese delegation to the ECG, referred to the Japanese Economic and Technical Agreement with Iraq.

2. He said that the cost of the oil to be obtained under the Agreement had been under negotiation since March. They had been awaiting the outcome of the Saudi/Aramco buyback negotiations before finalising the price and a delegation from MITI had now gone to Iraq to conclude the deal. He added that the Japanese were aiming at a lower price than that agreed recently with the Kuwaitis by Gulf and BP, though he did not specify what it would be.



D R MacLennan
Energy Dept
E 022

26 September 1974

cc Mr Haskell, FED K258
Mr Taylor, Dept of Energy
Mr Lindley, Dept of Energy
Chancery, Baghdad
Chancery, Tokyo

RECEIVED IN
REGISTRY No. 76

26 SEP 1974

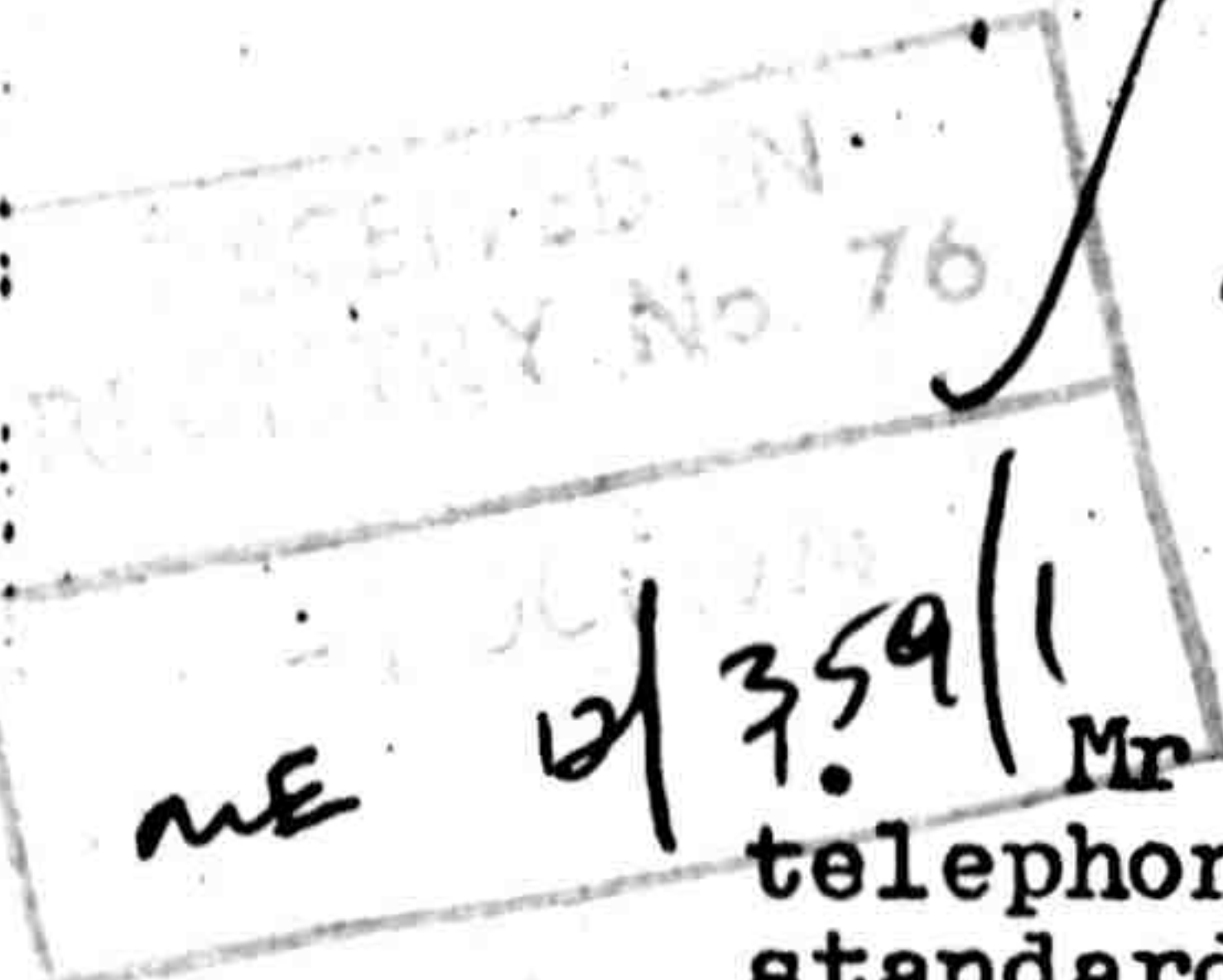
WKE 12/359/1?

M. J. Tenn
1/2 M. Lockyer *pa* *(40)*

Can it be that

L. B is planning
 to visit Baghdad on
 his visit to India
 (DVWP) in Dec?!

Mr Coles



Mr M J Goulding, the Private Secretary to Lord Balogh, ^{1/x} telephoned a member of my Department today to ask for a standard background brief on Iraq together with copies of personality notes on some of the leading figures on the Iraqi economic scene. He did not explain why these were required.

2. I attach a draft letter to Mr Goulding, together with a background brief. HM Embassy, Baghdad, has not yet been able to produce a revised set of personality reports since the resumption of diplomatic relations earlier this year. The attached copies were prepared in 1972.

P R H Wright
 Middle East Department

30 September 1974

cc Mr Egerton, Energy Dept ✓

Registry
No.

DRAFT

LETTER

Type 1 +

SECURITY CLASSIFICATION

Top Secret.
Secret.
Confidential.
Restricted.
Unclassified.

To:-

M J Goulding Esq
PS/Minister of State
Department of Energy
Thames House South
Millbank
SW1

FROM

Mr Coles

Telephone No. Ext.

Department

PRIVACY MARKING

..... In Confidence

You telephoned a member of Middle East Department on 30 September with a request that your Minister be provided with a general background brief on Iraq, together with some personality reports on those Iraqi Ministers responsible for the Iraqi economy. I enclose a background brief, together with six relevant personality notes. Since diplomatic relations were only resumed in April this year, HM Embassy Baghdad have not yet been able to revise our list of leading personalities and I should advise you that the enclosed reports were prepared in 1972.

NOTHING TO BE WRITTEN IN THIS MARGIN

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BACKGROUND BRIEF ON IRAQ

1 Diplomatic relations, which Iraq broke off in December 1971 because of our alleged collusion with the Iranians over the seizure of the Tunbs Islands in the Persian Gulf, were resumed in April this year.

2 The Ba'ath Government in Iraq has been in power for over six years, although there are regular rumours that the régime is about to be overthrown. Iraq's major internal problem is the Kurdish rebellion in the north. This broke out again in March this year, after a four year moratorium, following the Ba'ath Government's refusal to satisfy all the Kurdish demands on autonomy. Fighting has been fierce in recent weeks and the central Government forces appear to have suffered heavy losses. It is difficult to envisage any solution to the problem in the near future though fighting will probably be halted when the winter comes in mid-October. Meanwhile, there are signs of disagreement within the régime on how best to handle the Kurdish problem.

3 Iraq, by her past maverick behaviour, has become largely isolated politically from the rest of the Arab world and has poor relations with most of her neighbours. (There have been border clashes with Iran this year, one of which led to a Security Council meeting). The Soviet Union, with whom Iraq signed a Treaty of Co-operation and Friendship in April 1972, is her major ally. The Soviet Union has provided almost all Iraq's military needs and Soviet influence there, to the concern of the Shah and the other CENTO allies, is widespread. The relationship is not without its difficulties - they do not agree on Arab/Israel (Resolution 242) and there have been problems over oil sales - and Iraq's new-found economic strength should enable her to become increasingly independent and to resist any unwelcome Soviet pressures.

4 Iraq's greatly increased oil revenues have enabled her to concentrate on producing vast development plans with the emphasis on the oil and agricultural sectors. Her recent requests for resumption of diplomatic relations with West Germany and the UK were no doubt motivated by her need for access to Western technological expertise in the implementation of these plans. It remains to be seen whether the Government's preoccupation with the war in the north will divert its attention from this important programme.

5 It is estimated in some quarters that Iraqi oil reserves are second only to those of Saudi Arabia in the Middle East. Iraq therefore presents to us an attractive market and our exports for the first seven months of this year, at \$27.4 million, are approximately 70% above those for the corresponding period last year.

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A most interesting Remarkable!
Recd. (I knew J. M. Fenn

M. Taqa as DG of

Broadcasting - a

RECORD OF A CALL BY MR WEIR ON THE IRAQI FOREIGN MINISTER
AT THE ROYAL GARDEN HOTEL AT 11.45 AM ON THURSDAY,
3 OCTOBER 1974

real snake!

Present:

HE Mr Shadhil Taqa

Mr M S Weir

Mr Abdul Munim Zebaidi
(Private Secretary to
the Minister)

Mr P R H Wright

1. After courtesies, Mr Weir conveyed the Secretary of State's respects and said that both Mr Callaghan and Mr Ennals were disappointed that there was no opportunity for them to meet the Minister on this occasion. Mr Ennals had hoped to see Mr Taqa on 4 October, but Mr Weir understood that the Minister's departure time made this impossible.

2. Mr Weir expressed HMG's pleasure at the resumption of diplomatic relations with Iraq and warmly commended Mr Graham, who was an old personal friend and who had long experience both of the Arab world and of Whitehall. Mr Taqa said that he looked forward to welcoming Mr Graham in Baghdad and he believed that he was due to arrive there within a few days. He felt bound to say however that Mr Graham was likely to find a mountain of problems on his arrival. Mr Weir said that he was sorry to hear this but invited the Minister to explain what these problems were.

Visas

3. Recalling the representations made mostly by the Iraqi Foreign Ministry to HM Chargé d'Affaires, Mr Taqa said that there had been a number of problems connected with visas for Iraqi visitors to Britain. He presumed that our reason for delaying or refusing certain visas, eg for members of the Iraqi Embassy in London, were because the applicants were known to be members of the Baath Party.

/He

He would make no secret of the fact that he had deliberately chosen Baathists to staff his Embassy here and it was surely in the interest of both our Governments that this should be so. What was the use of diplomats if they did not represent their Governments' views? The British Government had often in his experience arranged for members of the governing party to represent them in Embassies abroad. After Mr Weir had explained that this was in fact a very rare occurrence in our case Mr Taqa acknowledged that the comparison might not be a fair one. He maintained his view however that it was in our mutual interest to ensure that the Iraqi Embassy here were in touch with their Government's thinking. In the days before the Iraqi revolution we would surely have preferred Iraqi diplomats to be in sympathy with Nuri al Said rather than in opposition to him? Mr Taqa assured Mr Weir that none of their diplomats in London were spies. He added that Mr Graham and all the diplomatic members of our Embassy in Baghdad appeared to be graduates of the famous school at Shemlan. (Mr Weir commented that he was also.) Mr Taqa said that there were wide-spread suspicions about Shemlan in Baghdad and even if the Government did not believe these they were widely held by Iraqis. The Iraqi Government had nevertheless not used this as a reason for refusing visas to our diplomats.

4. Referring to specific cases, Mr Taqa said that we had refused two visas for Iraqi diplomats whom he had wished to transfer from Beirut and Paris respectively. The first, Mr Kahtan Shakir, was the brother of the Head of the Iraqi Intelligence Service and he presumed that this relationship was the reason for our refusal. In the second case, Mr Temimi had been refused a visa in spite of the Minister's personal assurance that Temimi was suffering from terminal cancer and needed urgent medical treatment here which he could best receive by attachment to the Embassy. In spite of repeated appeals we had done no more than grant Temimi a one-week visitor's visa.

5. Mr Taqa went on to refer to the case of 5 diplomats whom the Iraqi Government had decided to appoint to London nearly two months' ago. Visas for most of them had still not been issued on the day of his departure from Baghdad. Mr Weir said that his understanding was that the maximum delay in the case of these visas was no more than 19 days and the minimum had been as little as 4 days; authority for all the visas had in fact been given. Mr Taqa said that this might be so, but that it had only happened after strong representations by his Under-Secretary to Mr Giddens. In any case, it was surely very unusual for a Government to refuse a visa to a visiting diplomat. It was a sending Government's right to choose whoever they wished to represent them abroad. Mr Weir contested this and pointed out that we had ourselves known cases where our diplomats had been refused visas or had had to wait a long time for visas to be granted.

6. Mr Taqa said that there was one other visa case which he wished to mention. A very senior member of the Iraq Government, Mr Hassam al Ameri, had been refused a visa to visit London even though he had been told by our Embassy in Baghdad that he would be able to collect his visa from the British Embassy in Bonn. Mr Wright said that he wished to express regrets for this case and assured the Minister that if Mr Ameri wished to visit London in the future there should be no difficulty over a visa. Mr Taqa said that he was glad to hear this, but a refusal once given inevitably left a psychological scar.

7. Mr Weir said that there were certain indispensable processes that all visa applications had to go through and that this inevitably took time. But we would certainly do everything possible to speed up our visa procedures and hoped that the Iraqis would do likewise. The Minister would also realise that the numbers involved presented considerable bureaucratic problems, particularly in the summer months. Mr Taqa said that he realised this; indeed, his information indicated that about 12,000 Iraqis had visited London this summer.

Kurds

8. Mr Taqa said that, we we knew, the Iraqi Government were having their difficulties with the outlaw, Barazani. We had nevertheless allowed two of Barazani's followers, called Dezaii and Mahmud, to establish themselves in London and to put out publicity material hostile to the Iraqi Government. They were also given access to Members of Parliament and to the press and he had now received a report that the Kurdish students in London were to hold a meeting at the Imperial College on the following day, 4 October. Mr Weir reminded the Minister that this was a free democratic society in which we had no power to prevent people expressing their views, provided they did so within the law. Furthermore, there had been no contact between the two Kurds, whom the Minister had mentioned, and HMG. Mr Wright added that we had in fact received a request from the two Kurds in question to be received at the Foreign and Commonwealth Office, but refused this request. Mr Taqa said that he was most interested to hear this very significant piece of information and asked when this had happened. Mr Wright said that we had reported it to our Embassy in Baghdad about a month ago and had authorised them to tell the Iraqi Foreign Ministry; his impression was that this had been done. Mr Taqa said that such an important piece of information would certainly have come to his notice. In reply to a question, Mr Zebaidi confirmed that he had not heard of this before. Mr Taqa recalled that there had been an incident in 1966 when an Iraqi Government official, Mr Ali Saleh al-Saadi, had been

/refused

refused a visa to visit Britain in order to explain the Iraqi Government case. In response to a remark by Mr Weir, Mr Taqa agreed that this was old history and that we should look to the future.

Shop-lifting

9. Mr Taqa said that there was another incident which he wished to raise. An Iraqi woman had been arrested some time ago for stealing something of very little value from a London store. She was almost certainly suffering from a not uncommon psychological ailment which, for some curious reason, compelled people to steal worthless items even after they had paid for hundreds of pounds-worth of goods. He did not for one moment contest our right to arrest or punish such people and he hoped that any Iraqis caught stealing in this way in the future would be suitably dealt with. What he did object to was the anti-Iraqi publicity which had surrounded this case and which, both in the press and on television, had set out to portray all Iraqis as thieves. Mr Weir said that he did not know of this particular case but he was very surprised to hear that it had received publicity on television, since there were frequent cases of shop-lifting in London reported in the press every day. This was not of course a problem confined to Iraqis. He had only recently seen a letter to "The Times" about a shop-lifting charge against an Iranian lady and there were frequent cases of this sort involving visitors from all over the world. If the Minister had received the impression that the press had shown particular interest in an Iraqi case this was perhaps the natural result of a report by his Embassy here which would not have concerned itself with similar cases from other countries. Mr Taqa said that he was nevertheless most concerned by the unfriendly impression which the press had given. There was an Arab saying that a Bedouin would give away his clothes in return for a noble word. Conversely, the Arabs responded to insults and it was as a direct result of the case he had mentioned that he had given instructions that Iraqi passports would in future be invalid for visits to Britain except in the case of students, government officials and medical cases.

Relations with Iran

10. Mr Taqa said that the Iraqi Government were bound to contrast HMG's relations with Iraq with their relations with Iran. He wished in particular to mention the dispute over the 1937 Agreement on the Shatt al Arab. The Iranians claimed that the Iraqi side of this Agreement had been the result of Imperialist pressure from Britain and attacked the Iraqis on this score; it would surely be more logical for them to attack us.

/11.

11. Nevertheless he was anxious to reach agreement with the Iranians on the border dispute and he proposed to have talks with the Iranian Foreign Minister, Mr Khalatbari, when he saw him in New York within the next few days. In reply to Mr Weir's comment that the handling of the recent reference of the problem to the UN was a good augury, Mr Taqa said that he had been most appreciative of the stand taken by the British delegation at the UN during the Security Council discussion. He added, with a laugh, that this was something positive on the balance sheet.

Economic Relations

12. Mr Taqa recalled his discussions with Sir Donald Maitland earlier this year at which Sir Donald had expressed the intention of ensuring a speedy follow-up to his visit by some type of economic agreement. Months of delay had followed and the Iraqis had only received from us a month or so ago a draft Memorandum of Understanding. He asked sarcastically whether there had been heavy snow in London this summer which might have delayed our presentation of the Draft? Mr Weir said that he recalled that the Memorandum had in fact been presented some time earlier than the Minister had suggested and there was certainly no hesitation on our part in pursuing economic cooperation with the Iraqi Government. Indeed we hoped that British commercial firms would take a much more active part in Iraq.

13. Mr Taqa welcomed this and recalled sadly that Britain no longer held the first place as she had previously in the league of exporters to Iraq. At a press conference which he had held on the previous day he had been asked about Iraq's agreement with Japan and he had explained that the Iraq Government were ready to cooperate economically with any country who wished. Britain however knew the Arabs well and there was less excuse for us than for say the Russians if we did not understand how to do business with the Arabs. Although the Iraqis were deeply suspicious of the Americans (he quoted an Arab proverb about snakes and peppermint) they had nevertheless given an American company the contract for the deep-water terminal at Umm Qasr, since the American tender had in all respects been the most attractive.

Energy

14. Mr Taqa referred to the recent speeches by President Ford and Dr Kissinger about the energy crisis. He thought that it was most unfortunate that the Americans should be uttering veiled threats in this way towards the Arabs. It was clear to him that although President Ford's speech explicitly referred to the oil producers he was in fact aiming it at the Arabs rather than Iran or Nigeria. In his view however the crisis had for long been one of cheap oil. The American

/oil

oil companies were making up to 50% profits and in his view the American speeches had been designed to harm not only the Arabs but also Europe. He understood that Dr Kissinger made little secret in private of his dislike for England, which he appeared to have acquired from his reading of Metternich.

Mr Weir said that he had in fact been present at a very cordial meeting with Dr Kissinger only a week before, but did not think that Dr Kissinger based his policies on likes or dislikes. He pointed out that Mr Callaghan's speech at the UN had made it very clear that we wished to work in cooperation with the producers. Mr Taqa acknowledged this and said that Britain had played a leading part in getting the Euro/Arab Dialogue going.

Defence: Anglo/Iraqi Relations and Defence Equipment

15. Mr Taqa said that he hoped that we could now put all these difficulties behind us and reach a "gentlemen's agreement" to avoid such problems in future. Mr Weir welcomed this and hoped that the Minister would accept that our relations were bound to start gradually after a two-years' break.

Mr Taqa agreed and expressed the view that the Iraqi Government had made a bad mistake in responding to popular emotion at the time by breaking off relations with HMG in 1971. The question over which they had broken [ie the Islands question] had been a matter of great importance to Iraq but they might have been wrong in suggesting that HMG were directly responsible. If they had made a mistake it had certainly cost them a lot. They had in any case decided to resume relations at no cost and had not asked for anything in return from us. He hoped that we could now move ahead together in our mutual interest to meet Iraqi needs, both for development and for defence against aggression. Mr Weir said that we would certainly do everything possible to move forward over the whole field of our bilateral relations and said that he had no doubt that Mr Graham would be pursuing all aspects energetically after his arrival in Baghdad. Mr Taqa said that on the question of defence there was one particular question which he wished to raise. The Iraqis had asked some time ago for the supply of a mortar-locating radar system with Cymbeline, but they had heard no reply since then. Mr Weir said that agreement had been given in principle to the supply of Cymbeline although he did not know when it would in fact be available. Mr Taqa said that he was delighted to hear this and would like to telegraph President Bakr immediately to inform him that HMG had agreed to the supply of Cymbeline. Mr Wright emphasised that although HMG had given agreement in principle, delivery might well be delayed although this was of course a matter for discussion between the manufacturers, EMI, and the Iraqi Ministry of Defence. Mr Taqa said that HMG could certainly use their influence to speed up delivery and he hoped that Mr Wright would be able to give him a clear indication of the delivery position before his departure for New York on the following day.

/Arab/Israel

Arab/Israel

16. In conclusion, Mr Taqa said that he wished to mention the Arab/Israel question briefly. It was his impression that although the British Government's position on the Arab/Israel dispute was better than it had been three years' ago there had been some signs of increasing sympathy towards Israel during the past year. Surely it was more in Britain's interest to pay attention to 80 million Arabs than to 2 million Israelis. Mr Weir said that Britain's main interest lay in a settlement of the problem, and that we attached great importance to our relations with the Arab States.

DISTRIBUTION

Private Secretary
PS/Mr Ennals
PS/PUS
Mr Campbell
Mr Weir
MED (to enter)
MVD
PUSD
NENAD
TRED
Energy Dept ✓
Defence Dept

Sir D Maitland
Mr Peter Scott

Chanceries: Baghdad
Tehran

Mr Egerton ✓ 8 1/1x1

IRAQ

1. Paris telegram 1178 (copy attached) refers to the visit of the French Minister of Agriculture to Iraq, which starts today.
2. The idea of an agricultural project to be financed by the oil companies (Shell, CFP, ENI and Deminex) was put forward last year, as you no doubt recall, as a "sweetener" for the granting of exploration acreage in Iraq. The Iraqis decided against awarding any more concessions: they announced that they would handle all oil exploration through INOC on a contract basis. When the oil companies were told this, they dropped their proposals. The Iraqis said they were still interested in the agricultural project, but the companies pointed out that they were not in the agriculture business, and that without oil there could be no deal.
3. I telephoned Mr Miller, Shell, this morning. He confirmed that there was no change in this position and that CFP had agreed to the cancellation of the proposals. He had heard nothing to suggest that the idea was still alive in French minds. We undertook to keep each other informed of anything we could discover.
4. We clearly need to follow this up with Paris. A large scale agricultural project could certainly come under the terms of the Franco/Iraqi economic co-operation agreement. But if it were a simple bilateral project, there is no reason why finance by the oil companies should have been mentioned.
5. Provided you see no objection, I propose to send the attached telegram. Department of Energy and MED concur.

G P LOCKTON
Energy Department

1 November 1974

Att.

c.c. Mr Burton MED
Mr Bretherton D/EnergyRECEIVED IN
REGISTRY No. 76- 1 NOV 1974
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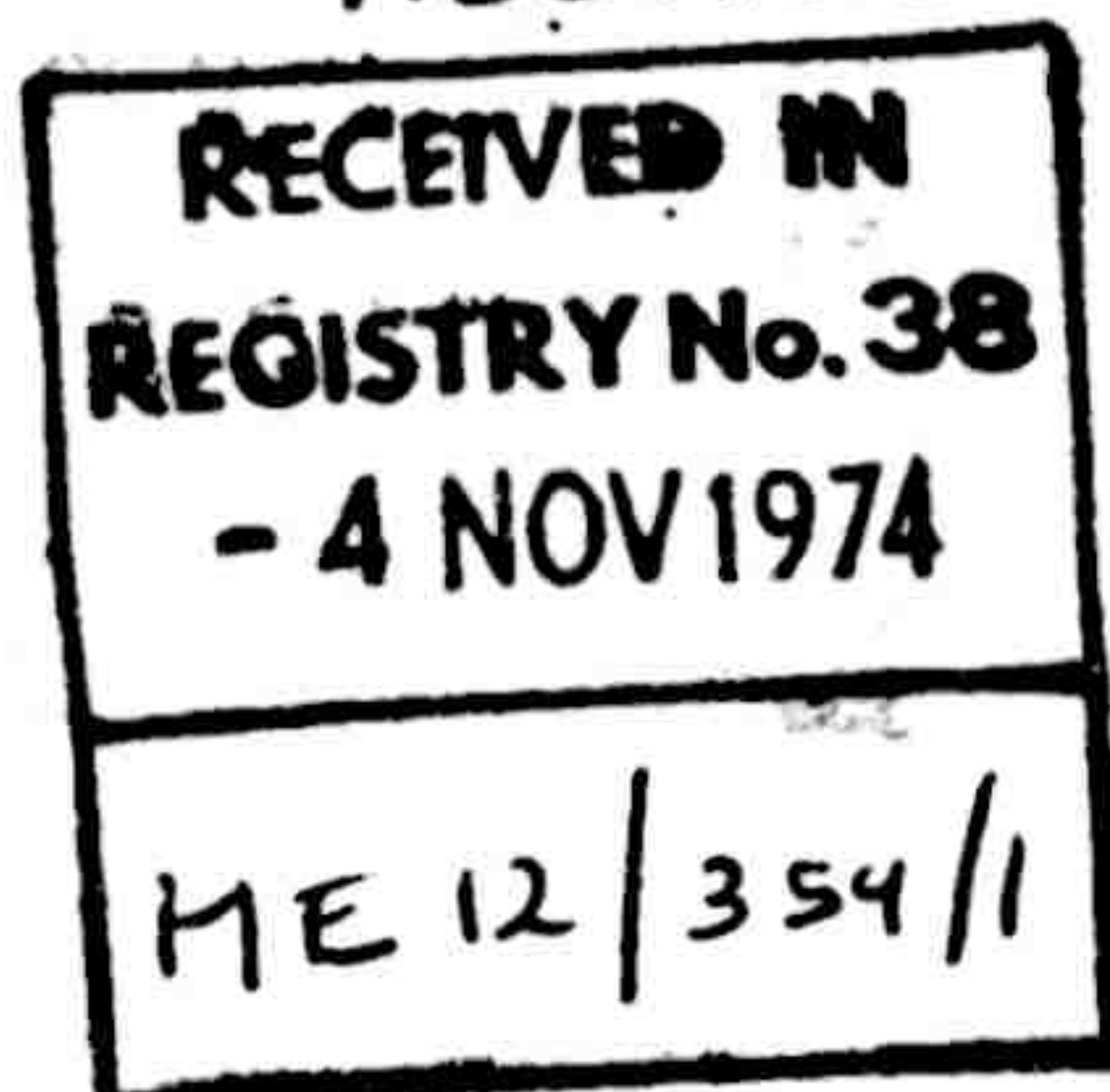
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1974

TO ROUTINE PARIS TEL NO 587 OF 1 NOVEMBER INFO BAGHDAD.

YOUR TEL 1178: FRENCH MINISTERIAL VISIT TO IRAQ.

1. YOUR PARA 1. THE PROPOSAL PUT FORWARD LAST YEAR TO THE IRAQIS BY SHELL, CFP, ENI AND DEMINEX FOR A LARGE SCALE AGRICULTURAL PROJECT IN IRAQ FELL THROUGH IN JUNE 1974 BECAUSE OF IRAQ'S DECISION NOT REPEAT NOT TO GIVE THE CONSORTIUM OIL EXPLORATION ACREAGE. SHELL HERE HAVE CONFIRMED THAT THEY HAVE HEARD NO SUGGESTION THAT THE PROJECT HAS BEEN RESURRECTED.

2. WE SHOULD THEREFORE BE GRATEFUL FOR ANY LIGHT YOU CAN THROW ON THE SELECTION OF THIS PROJECT AS THE MAIN SUBJECT OF DISCUSSION DURING THE MINISTER OF AGRICULTURE'S VISIT. IS IT THE SAME PROJECT AS IN PARA 1 ABOVE? IF NOT, WHICH COMPANIES FORM THE CONSORTIUM INVOLVED?

3. FOR BAGHDAD. PLEASE REPORT IF THE LOCAL BPC REPRESENTATIVE HAS ANY INFORMATION, (OUR TEL 112 REFERS.) YOU MAY TELL HIM THAT SHELL ARE IN THE DARK ON THIS.

CALLAGHAN

FILES

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SIR. D. MAITLAND

MR. WILTON

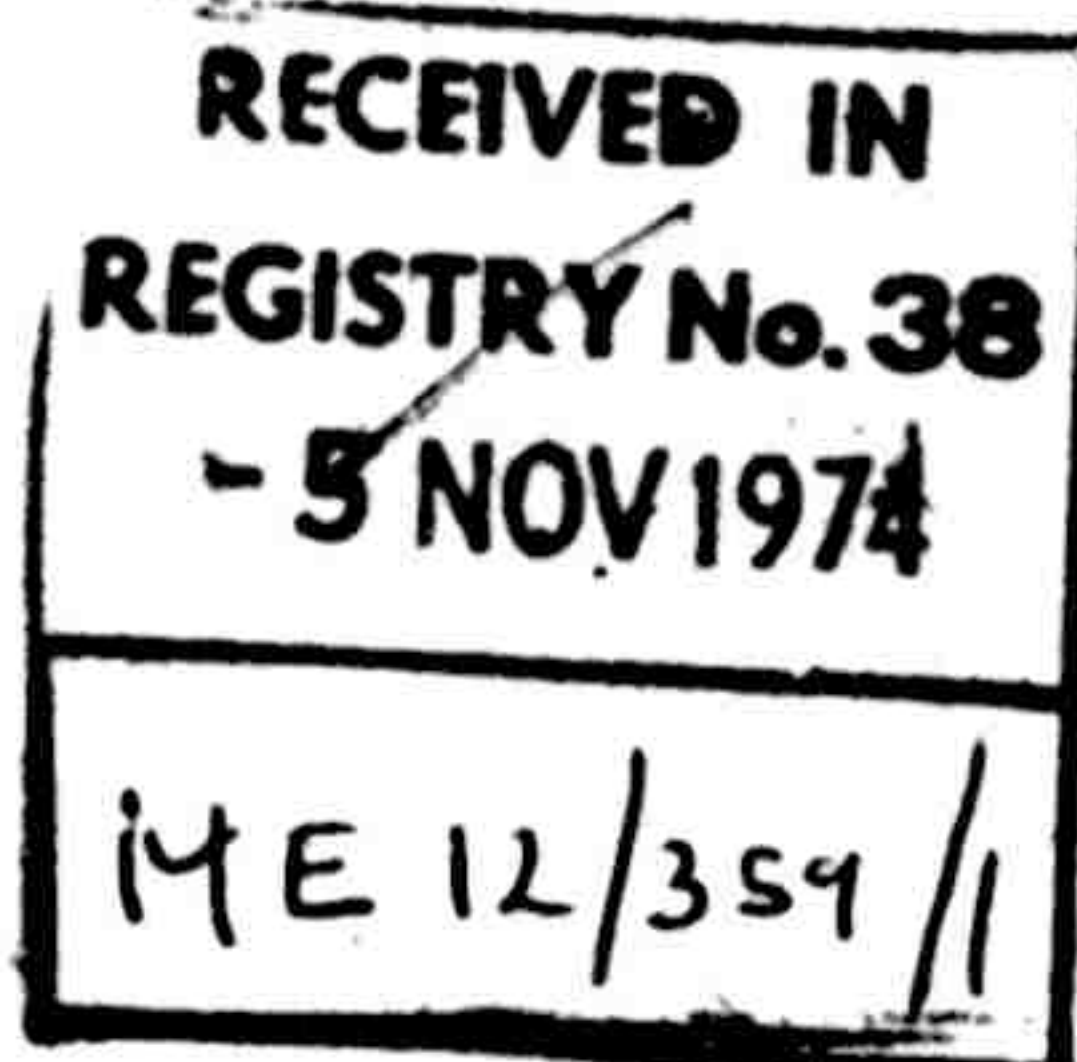
MR. WEIR

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TO ROUTINE FCO TEL NO 397 OF 4 NOVEMBER 1974, INFO
ROUTINE PARIS.

YOUR TEL NO 587 TO PARIS : FRENCH MINISTERIAL VISIT TO IRAQ.

1. THE FRENCH AMBASSADOR TOLD ME BEFORE THE VISIT THAT HIS MINISTER WOULD BE TALKING TO THE IRAQIS ABOUT THIS PROJECT BUT I HAD NO OPPORTUNITY TO PROBE FOR DETAILS. FROM WHAT HE HAS SAID PREVIOUSLY, I BELIEVE THAT THE FRENCH THINK THE IRAQIS MAY WISH TO ADOPT THE PROJECT AS THEIR OWN, TO BE CARRIED OUT ON COMMERCIAL TERMS WITHOUT ANY OIL ELEMENT. THE FRENCH, IT SEEMS, THINK OF THIS AS THE SORT OF THING THAT COULD BE BROUGHT INTO THE EURO-ARAB DIALOGUE. BPC HAVE NO INFORMATION BUT I WILL CHECK FURTHER WITH THE FRENCH AMBASSADOR.

2. THE FRENCH MINISTER OF AGRICULTURE PAID A 45 MINUTE CALL ON SADDAM HUSSEIN YESTERDAY. HE HAS ALSO HAD TALKS WITH THE IRAQI MINISTER OF AGRICULTURE AND AGRARIAN REFORM AND HAS VISITED A FARM.

3. CERLES TOLD ME THAT HIS MINISTER WAS "SNARED" INTO VISITING IRAQ, BECAUSE HE HAD MISSED AN APPOINTMENT WITH THE IRAQI AMBASSADOR IN PARIS AND FELT UNDER AN OBLIGATION TO NAME A DATE.

GRAHAM

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SIR D MAITLAND

MR CAMPBELL

MR WILTON

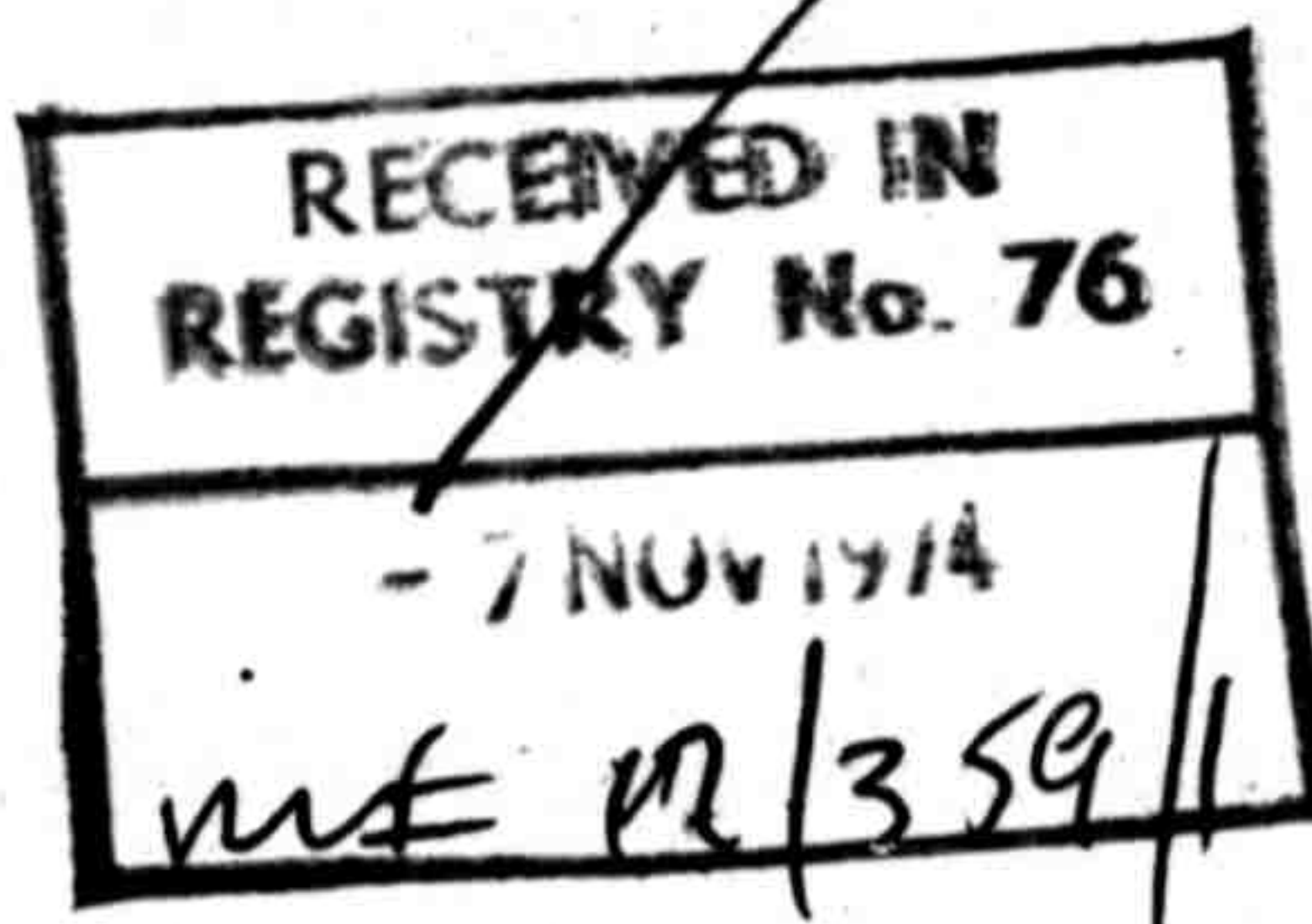
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TO PRIORITY FCO TELNO 1207 OF 6 NOVEMBER AND INFO BAGHDAD

YOUR TELNO 587: FRENCH MINISTERIAL VISIT TO IRAQ.

1. THE SOUS-DIRECTEUR DU LEVANT IN THE QUAI D'ORSAY HAS NOW TOLD US THAT THE QUAI MISINFORMED US IN THEIR REFERENCE (MY TEL 1178) TO THE OIL CONSORTIUM. M BONNET WENT TO IRAQ BECAUSE A MINISTERIAL VISIT WAS DESIRABLE ON GENERAL GROUNDS, AND IN PARTICULAR TO PREPARE THE WAY FOR M CHIRAC'S VISIT TO IRAQ IN THE FIRST WEEK OF DECEMBER. THE IRAQIS HAVE BEEN PRESSING THE FRENCH TO ASSIST IN THE DEVELOPMENT OF IRAQI AGRICULTURE FOR SOME TIME. THE FRENCH AGREE THAT THE CONSORTIUM PROPOSAL SEEMS DEAD FOR THE TIME BEING (PARTLY THEY SUSPECT BECAUSE OF RUSSIAN DISLIKE OF THE IDEA). BUT ROUILLON INDICATED THAT THE FRENCH DO THINK THAT THE IRAQIS WISH TO PERSUE THIS PROJECT AS ONE TO BE CARRIED OUT ON COMMERCIAL TERMS WITHOUT AN OIL ELEMENT. THE FRENCH SEEM TO THINK THAT WILLINGNESS TO HELP THE IRAQIS IN AGRICULTURE COULD AFFECT THEIR ATTITUDE TO WESTERN OIL INTERESTS GENERALLY. THE FRENCH AMBASSADOR IN BAGHDAD HAS APPARENTLY SUGGESTED TO THE QUAI THAT THIS IS THE KIND OF PROJECT WHICH MIGHT BE CONSIDERED WITHIN THE FRAMEWORK OF THE EUROPE-ARAB DIALOGUE.

2. WE HAVE ALSO CROSS-CHECKED WITH M BONNET'S CABINET BUT, BEYOND CONFIRMING THAT THE SPECIFIC PROJECT REFERRED TO IN PARA 1 OF YOUR TUR WAS NOT DISCUSSED, THEY VOUCHSAFED NO INFORMATION OF INTEREST.

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TO ROUTINE FCO TEL NO 408 OF 7 NOVEMBER 1974.

INFO ROUTINE PARIS.

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RECEIVED IN REGISTRY NO. 76
- 8 NOV 1974
ME 12/394/1

PARIS TELNO 1207 : FRENCH MINISTERIAL VISIT TO IRAQ.

1. THE FRENCH AMBASSADOR CONFIRMED TO ME YESTERDAY THAT THE "MEGA-PROJECT" WAS NOT (NOT) RAISED. THE DISCUSSIONS HAD THROUGHOUT BEEN IN VERY GENERAL TERMS AND AMOUNTED IN ALL TO ONLY 2 HOURS INCLUDING 30 MINUTES TALK "ABOUT THE WEATHER" BETWEEN THE TWO MINISTERS OF AGRICULTURE. THE IRAQIS HAD URGED THE FRENCH GOVERNMENT TO ENCOURAGE FRENCH FIRMS TO TAKE AN ACTIVE INTEREST IN IRAQI AGRICULTURAL DEVELOPMENT WHICH, THEY SAID, WAS BEING GIVEN PRIORITY OVER INDUSTRIAL DEVELOPMENT. (AGRICULTURE IS A FIELD IN WHICH THE FRENCH HAVE NOT HITHERTO BEEN VERY PROMINENT).
2. IN M BONNET'S MEETING ON 3 NOVEMBER WITH SADDAM HUSSEIN THE LATTER HAD SEVERAL TIMES EMPHASISED IRAQ'S INDEPENDENCE FROM ALL COUNTRIES AND HAD REPEATED THE THEME THAT HE WANTED TO SEE FRENCH FIRMS PARTICIPATING IN IRAQ'S DEVELOPMENT ON THE BASIS OF QUALITY, DELIVERY AND PRICE (NO REQUEST FOR CREDIT). IRAQ HAD FALLEN BEHIND THROUGH VARIOUS CIRCUMSTANCES AND WAS TO BE BROUGHT INTO THE 20TH CENTURY FAST.
3. SADDAM HUSSEIN HAD STRUCK OUT OF THE COMMUNIQUE ALL REFERENCE TO THE FRENCH MINISTER'S VISIT, THOUGH THE FRENCH AMBASSADOR BELIEVES THAT IT IS AGREED FOR 1 DECEMBER (HE HAS HAD NO WRITTEN CONFIRMATION). THIS COULD BE FOR SECURITY REASONS : ENGAGEMENTS INVOLVING SADDAM HUSSEIN ARE NEVER ANNOUNCED HERE IN ADVANCE AND HIS EXACT MOVEMENTS OFTEN DO NOT CORRESPOND TO THE ANNOUNCED PROGRAMME.

GRAHAM

FILES SIR D MAITLAND

END MR WILTON

MED MR NEIR

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RECEIVED IN REGISTRY No. 76
11 NOV 1974 ME 12/354/1

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TO PRIORITY FCO TELNO 411 OF 9 NOVEMBER. 1974

REF OUR TELNO 408 OF 7 NOVEMBER.

PARA 3. PLEASE INSERT AFTER "REFERENCE TO THE FRENCH"

.... PRIME MINISTER'S VISIT.

GRAHAM

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SIR D MAITLAND

MR WILTON

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ME 12/359/1
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Artillery exchange on Lebanese-Israeli border (Text of Lebanese military spokesman's statement) In response to the shelling of an Israeli bulldozer this morning, enemy 155 mm. guns at 1655 today shelled our forward artillery positions. Most of the shells fell near our positions but caused no casualties. (Beirut home service 2015 gmt 12 Nov 74)

Promotion of Jordanian CGS (Text) A Royal Decree was issued today promoting Maj-Gen. Zayd Bin Shakir, Chief of the General Staff, to the rank of Lieutenant-General with effect from 15th October 1974. (Amman home service 1900 gmt 12 Nov 74)

US defence official's Riyadh and Amman visits The US Assistant Defence Secretary for International Security Affairs, Mr. Robert Ellsworth, left Riyadh on 12th November. The Saudi-US joint committee held its first meeting in Riyadh from 10th to 11th November to examine Saudi Arabia's defence requirements. The American side was headed by the US Assistant Defence Secretary, Mr. Robert Ellsworth, and the Saudi side by HRH Prince Turki Bin Abd al-Aziz, the Deputy Defence and Aviation Minister. The two sides agreed that the committee would continue to (?discuss) military matters concerning the consolidation of the ties of long-term friendship between Saudi Arabia and the USA. The two sides agreed that the next meeting would be held next year. Mr. Ellsworth arrived in Amman this evening for a few days' visit to Jordan. (Riyadh home service 2000 gmt 12 Nov 74)

Iraqi naval visit to Bahrain (ME/4754/A/5) Four Iraqi naval units arrived in Bahrain on 12th November on a friendly visit as part of a series of visits to Arab Gulf ports. (Baghdad home service 1700 gmt 12 Nov 74)

PFLO military operations (Text) Aden, 12th November: Omani revolutionaries shot down a British helicopter in the eastern part of the Dhufar-region this month. In several communiques issued here today, the Popular Front for the Liberation of Oman said that in this battle the enemy had employed aircraft and heavy artillery to repel the revolutionaries' attack and lift the siege imposed on its personnel. One of the communiques said that the revolutionaries had later killed a number of Iranian and British forces in (Qisays Adin). They also destroyed seven positions and killed or wounded a number of their personnel. The communique said that the Oman authorities had admitted the destruction of a number of ammunition depots as a result of the attack. (INA 1215 gmt 12 Nov 74)

In Brief

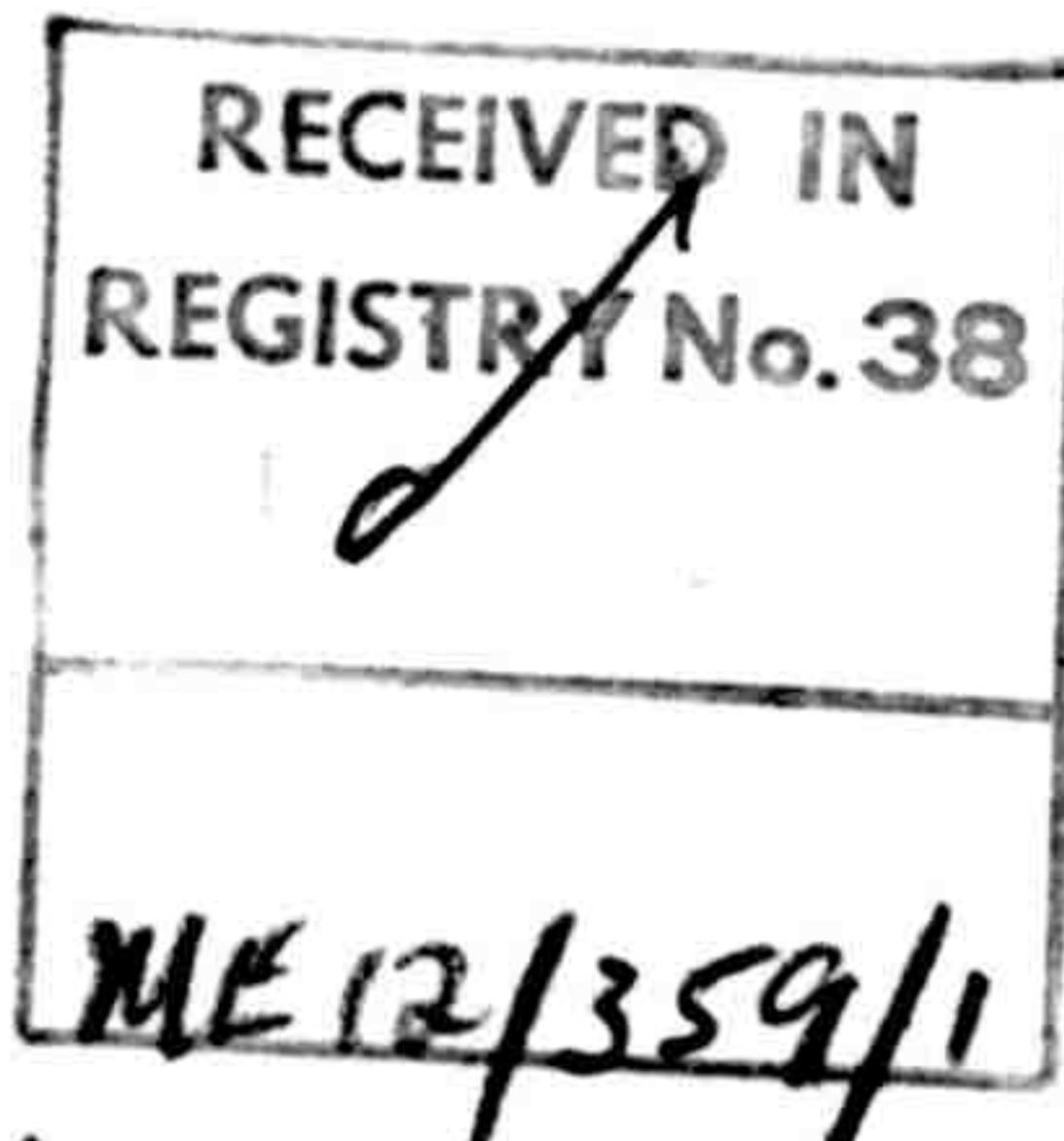
Biography of new Oil Minister in Iraq (Text of "short biography") Minister of Oil and Minerals Tayah Abd al-Karim: He was born in 1933 in the Annah district in Anbar Province, where he completed his elementary education. He graduated from a teachers' college in 1951 and worked in elementary education until 1954. He has been working in the ranks of the Socialist Arab Ba'th Party since 1950 and was arrested several times during the previous regimes. He received his BA in English language studies from the School of Arts in 1959 and worked in secondary education until 1963. Following the 14th Ramadan revolution, he was appointed Deputy Governor of Basra Province. He obtained his MA in law from Mustansiriyah University in 1968-69. Following the 17th July 1968 revolution, he was appointed General Director in the Revolution Command Council and in 1969, Iraqi Ambassador to Sudan. In 1970 he was appointed Ministry of Education Under Secretary and on 12th January 1974 he was elected a Member of the Ba'th Party Regional Command. On 11th November 1974 he was appointed Minister of Oil and Minerals. (INA 1130 gmt 12 Nov 74)

PDRY denial of crash of aircraft (Text) A responsible source in the Ministry of Communications has stated that the AFP dispatch about the crash of a DC-6 plane belonging to the Democratic Yemen airlines in the Lebanese mountains, following an accident to it, was unfounded. He emphasized that this false report was no more than a mere fabricated rumour, not based on any truth. (Aden home service 1730 gmt 12 Nov 74)

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plane

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BRITISH EMBASSY

BAGHDAD

7 November 1974

G S Burton Esq
Middle East Department
Foreign and Commonwealth Office
LONDON

pag (Iraq)

SECOND INTERNATIONAL OIL SEMINAR

1. From 1-4 November, the Second International Oil Seminar met in Baghdad, (under the auspices of the World Peace Council, the Afro/Asian People's Solidarity Organisation, and the National Council for Peace and Solidarity in Iraq). The First Seminar, as you may recall, was held in November 1972 under the slogan "Oil as a Weapon". (Although it is easy to assume that there was a link between this slogan and the use of the oil "weapon" during the end of 1973, oil sources here say that the "weapon" referred to in the 1972 title was in fact nationalisation.)
2. The 1972 Seminar was intended to boost the sagging position of Iraqi oil after the nationalisation of IPC and the embargo of Rumaila oil, and, in terms of the Iraqi oil industry, was fairly significant. The long and wordy resolutions and statements emanating from the Second Seminar, (which I enclose), however, do not say much that is new. The main points seem to be:-
 - (a) The oil producing countries should not build up their monetary balances and, in particular, should not invest them in "capitalist" banks or even in "capitalist" real estate.
 - (b) Surplus funds should rather be used for financing development in developing countries or in their own countries on a tripartite basis in co-operation with the "socialist" countries.
 - (c) Investment by the West in the oil producing countries should be resisted. The countries should either buy or acquire their royalty agreements, technical know-how etc. The recycling of funds by merchant banks, a form of such Western investment, is rejected as neo-colonialism.

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- (d) Commodity agreements should be negotiated to establish "standard prices for all major commodities, agricultural and industrial" under the auspices of the UN, which should guarantee "the transfer of technology to the developing countries".
- (e) The banding together of oil consuming countries is disadvantageous to the oil producers and must be opposed.
- (f) Oil should be marketed directly by the oil exporting countries to the consuming countries with the elimination of the major oil companies as intermediaries.

3. The general tone of the Seminar, not surprisingly considering the sponsors, was very much in support of the socialist countries, but it is interesting that the main target for criticism was the multi-national companies, not capitalism as such. For example, among the resolutions there is a call for the development of co-operation in mutually advantageous spheres between capitalist and socialist countries.

4. We do not see the Seminar as an important statement of Iraqi oil policy. Most of the points have been made before; greater significance should be attached to the speech by Saadoun Hammadi the Minister for Oil, in Beirut on his return from the Vienna OPEC meeting, a copy of which I sent to you at an earlier date.

K D Temple

cc: Energy Department
FCO

Message to Bakr from Int'l Seminar on Oil

TEXT OF "SOLIDARITY WITH IRAQ" RESOLUTION

On the conclusion of the 2nd Oil Seminar, the participants in the Second International Oil Seminar have extended greetings to President Ahmed Hassan al-Bakr and reiterated their firm stand by the side of Iraq against the schemings and intrigues of the forces of imperialism and reaction. This was stated in a message addressed to the President yesterday. The message is as follows:

"The participants in the Baghdad Second International Seminar on Oil and Raw Materials, take the pleasure in addressing the most cordial greetings and heartfelt sentiments to your excellency, and to the Iraqi people and the leadership of the national regime in Iraq for the hospitality and warm reception accorded us during our stay in Iraq. We regard the convocation of this seminar in Baghdad a new assertion of the progressive forces in the world on the important role played by Iraq and its militant leadership on the struggle against world imperialism and oil monopoly and its use of oil as a weapon in the struggle against imperialism and Zionism and particularly for the liberation of the Arab territories from Israeli occupation and the realisation of the rights of the Arab Palestinians to repatriation and exercise their right to self-determination in their homeland and to place the oil in the service of economic development and social progress as well as the establishment of equitable economic relations. We seize this occasion to assert once again our stand on the side of Iraq against the plans and machinations of the imperialist forces and at the same time greet the progressive programme pursued by Iraq under your leadership in tightening the struggle against imperialism and Zionism and in cooperating with the international socialist group as well as the consolidation of the unity and alliance of the forces of the people within the framework of the Progressive National and Nationalist Front, the solution of the Kurdish issue in a democratic manner, the realisation of Self-rule in the Kurdistan region.

"We are fully confident that the progressive Iraq, which enjoys the support and backing of all freedom and peace-loving forces in the world, would efficiently defend its social and nationalist gains against all the aggressive conspiracies and intrigues and would continue to contribute to the liberation struggle which is waged by Arab people against the imperialist and Zionist aggression

and that it will realise under your leadership new victories and accomplishments in all fields.

"Permit us, Mr. President, to express our profound gratitude for the spirit of cooperation and the good organisation of our work during our stay which provided the seminar with all means of success.

"We also address our thanks permeated with due appreciation to the National Council for Peace and Solidarity in Iraq which enjoy your excellency's support and patronage and which had substantially contributed to the success of our seminar.

"We hope to accept our wishes for the realisation of new successes and for triumph in its bold liberation march."

Next, Comrade Na'eem Hadad, Member of the Regional Leadership of the Arab Baath Socialist Party Secretary-General of the Progressive National and Nationalist Front, read out a statement on "Arab oil and the struggle against imperialism and the Israeli aggression."

The statement referred to the efficient use made by the Arab nation of oil as a political weapon and singled out for special mention Iraq's nationalisation of the US, Dutch and Portuguese public shares in the Basrah Petroleum Company. The statement added: "The battles that raged with imperialism and with the Israeli aggression have borne out the ability of the Arab nation to carry on with the struggle for liberating the occupied Arab territories. In spite of the claim made by American imperialism concerning a change of policy in the Arab region, Washington maintained a policy of backing up Zionist militarism with the object of converting Israel into a virtual arsenal in preparation for a fresh aggression. The US also kept up efforts to isolate the Arab nation from its friends and allies, particularly the socialist community with the Soviet Union at the top".

The statement further noted that the seminar has supported the Arab nation's absolute right to liquidate the petroleum monopolies and nationalise

oil and gas resources.

The statement further said: "The seminar took special note of the fact that oil resources are exhaustible and that oil revenues should be used for promoting planned and swift development. Oil revenues must not therefore be deposited in imperialistic banks where they are open to the perils of losing value as a result of inflationary rises or currency devaluations."

The statement laid great emphasis on the importance of maintaining the closest relations with the socialist countries including the Soviet Union in the forefront. It also noted that the seminar has fully endorsed the efforts made by the Arab states to promote cooperation with the developing countries and observed that the seminar stood for coordinating efforts with the developing nations in such a way as includes the building of joint ventures and the insurance of long-term loans on easy terms.

The statement went on to say that there was no truth in the allegations made by the industrial capitalistic countries that the oil-producing countries are to be blamed for monetary crisis and inflationary rises. Such ills were the outcome of the acute crisis manifesting itself within the capitalistic system as well as the result of extravagant military expenditures.

SOLIDARITY WITH IRAQ

Then the following solidarity resolution with Iraq was read. Following is text of the resolution:

"We, the participants in the Baghdad Second International Seminar including more than 120 social, scientific and political experts from 53 countries, convey to the Iraqi people, the Republic leadership, the Progressive National and Nationalist Front and the National Council for Peace and Solidarity our warm greetings and express our full solidarity with the Iraqi people struggle to consolidate its national independence, complete deliberation of its national wealths, build its progressive society, safeguard its economic, social and political gains and effectively participate in the Arab people struggle against imperialism, reaction and Zionism.

"We greatly appreciate Iraq's progressive programme to proceed along the path of unity and fusion of the people's forces within the framework of the Progressive National and Nationalist Front, of a democratic settlement of the Kurdish issue and effecting the autonomy of Kurdistan. We also appreciate Iraq's effective contribution to the Arab struggle against the Israeli imperialist aggression and to the consolidation of the Arab Palestinian people's struggle for

(Continued on page 6)

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Mr. Burton,
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its right to self-determination.
"We hail Iraq's progressive foreign policy based on strengthening friendly relations with anti-imperialist forces specially the Socialist countries group foremost among which the U.S.S.R. and firm solidarity with the peoples' struggle for national liberation and progress.

"Iraq's sound programme of nationalizing Iraq Petroleum Company and the U.S., Holland and Portugal's shares therein which is a major achievement in confronting world oil monopoly, further provoked the aggression of imperialist forces. Nevertheless it won the sympathy and solidarity of all people who considered Iraq's stand and steadfastness in confronting pressure and manoeuvres an example to be followed by other countries and peoples in their struggle to restore their rights to manipulate their national wealth.

"The acts of nationalizing oil provides Iraq with an opportunity to use oil as an effective weapon in the coming battle against the imperialist and Zionist enemy as was clearly manifested during the October 1973 war. This weapon directly effected the results of the war and aggravated the crisis of the world capitalist system. On the contrary nationalization contributed to consolidating Iraq's political and economic independence, directing its wealth to speedy and complete development and proceeding along the path of economic and social transformation for the well-being of the toiling masses.

"Imperialist circles, no doubt, do not favour this line and emphasize extraordinary effort of cooperation with Zionism and Arab reactionary, in an attempt to encircle Iraq and undermine its national accomplishments. It also attempts to disintegrate the Arab front facing Israel and isolating the Arab struggle forces from its permanent allies in the group of socialist countries, especially the Soviet Union and reinforcing its military and political bases, escalating overt conspiracy on the progressive system in Iraq and shaking its stability. These efforts were connected with threatening with direct interference to insure imperialist exploitation of oil in the region to the interests of international monopolies, with Iranian aggression on the eastern Iraqi borders and with promoting interior conspiracies.

"But we are confident in Iraq's ability to face challenges and stand along side with liberated peoples and peoples of socialist countries in the face of threats and achieving victory over imperialist conspiracy. We, who stood along side liberation forces everywhere, are today firmly standing along side with Iraq and its progressive national authority. The First Baghdad Seminar was a serious contribution to the support of Iraq's struggle in previous critical conditions. Meanwhile, our second seminar affirms more strongly the same line and firmly answers

ers the imperialist threatening policy and all the manoeuvres and means for depriving peoples of their rights of controlling their national wealth, strengthening their national liberty and accomplishing their economic and social progress."

CABLE TO U.N. SECRETARY-GENERAL

The participants addressed the following cable to Mr. Kurt Waldheim, U.N. Secretary-General:

"We the participants in the Second Baghdad International Seminar, held from November 1-4, 1974, on Oil and Raw Materials and for equitable economic development, highly evaluate putting the Palestinian issue on the Agenda of the current session of the U.N. General Assembly, seize this occasion to express to you and to members participating in this session our full support for the legitimate struggle of the Palestinian Arab people who lived for more than a quarter of a century homeless, oppressed, victims of injustice, and deprived of the most elemental national and human rights granted to them as to any other people by the U.N. Charter and principles.

"We are completely confident that the first step to the establishment of a just and lasting peace in this vital part of the world is based on Israel's withdrawal from all the Arab territories it occupied by armed force in 1967, enhancement of the national entity of the Arab Palestine people and realization of its legitimate national right to return to its homeland and exercise therein its right to self-determination,

"We believe a basic responsibility lies in this issue on the U.N. that has followed the Middle East conflict from the beginning and has adopted several resolutions and positions that have to be implemented.

We believe that the establishment of a just and lasting peace in this vital part of the world with its abundant raw material reserves and energy sources can effectively contribute to the progress and stability of civilization or else this explosive area would continue to constitute a constant menace to world peace and security.

"We hope that you adopt suitable measures to include this message in the documents of the current General Assembly session and circulate it among the delegations."

SEMINAR STATEMENT

Following is the statement of the Baghdad Second International Seminar on Oil and Raw Materials read by Sd. Aziz Sharif, Secretary-General of Iraqi National Council for Peace and Solidarity:

"The First International Oil Seminar held in Baghdad in 1972 projected the role of oil in the struggle for independence and for economic development.

"Its scientific works and conclusion exposed the plundering and exploiting role of the international oil monopolies, directed against the producing countries, and their peoples.

"It concluded that the main line of struggle had to be directed to nationalization of oil,

increasing the price of oil so that the producing countries would receive the appropriate revenues for their natural resource, and emphasized the need for actions against monopoly price extortion in the consuming countries. It stressed the need for the use of additional oil revenues for the economic development of producing countries and for raising living standards in these countries and financing needed social reforms.

"The pioneering actions in this respect of such countries as Iraq and Algeria were noted. The route of participation, in which, the oil monopolies were left in effective control of the oil, and minority stock participation, became another way of receipt of inadequate royalties, was criticized. The principle of cooperation of oil producing countries with their true allies, the socialist countries was stressed. Similarly was emphasized the need for cooperation with the developing countries that need oil, and assistance to them in arranging to finance the purchase of oil.

3
This proclaimed as central parts of a new code of international law the unconstitutional right of countries to control their own resources, to use them for national development, the permissibility of interference by multinational corporations and corresponding governments in this process, and the mutuality of interest of peoples of producing and consuming countries, the desirability of cooperative organizations of countries exporting the same raw materials.

"The Second Baghdad International Oil Seminar supports and calls for prompt implementation of these documents of the United Nations. It endorses the subsequent documents on the problems of raw materials and development adopted by the World Peace Council and by the Afro-Asian Peoples Solidarity Organisation.

"The Seminar has made a significant contribution towards implementing these principles in defining the goals of this new stage, and specifying ways of reaching these goals.

"Recent developments, as demonstrated by the Seminar papers, revealed the true nature of the oil crisis in the developed capitalist countries. The papers refuted the imperialist propaganda which blames the runaway inflation of the capitalist countries on the oil producing countries.

"In the developed capitalist countries the oil monopolies have been striving to make up for their losses in the producing countries at the expense of the consuming public. They have raised the prices to consumers several times as much as would correspond to the higher price of crude oil, and have tripled their already enormous profits.

"The inflation, the financial crisis, the rise in unemployment and the tendency to decline of production, are not the result of higher oil prices. They are consequences of the deepening contradictions of capitalism of the increased monopolization of economic life of profiting multinational corporations, and the inaction of hundreds of billions in unproductive interest by the giant international banks. Inflation is especially spurred by wasteful and inflationary military spending, by wasteful and militaristic expenditures by the giant corporations and by the ultra-rich, by the continuation of price plundering of developing countries by monopolies.

"The stormy events of the last two years have proved the correctness of the work of the first seminar. Its documents have contributed weapons in guiding the struggles of the peoples against the international oil monopolies, and to the tremendous, historic victories, that the oil producing countries have won in this short time.

"The movement for nationalization of oil has gained irresistible momentum. In most important producing countries, including even those with conservative governments, the process of complete nationalization is well underway. The prices of petroleum have been raised to provide the producing countries with a fairer share of the values of their oil. The unity of OPEC as an instrument of struggle by oil exporting countries against the imperialist cartel has been important, and its effectiveness and boldness increased. Already there have been substantial steps taken in a number of producing countries to use the increased oil revenues, and nationally controlled oil to stimulate economic development, all-around industrialization, and rising of mass living standards.

"Several producing countries have increased and broadened their economic and technical cooperation with the socialist countries, and have received from them necessary political, material and moral support to deter armed intervention by imperialist powers to reverse the course of history, and to regain control of their oil under new conditions. A number of producing countries, notably Iraq, have contributed funds and initiated programs for financing the purchase of oil by oil-poor developing countries, and have initiated broader economic cooperation with these countries.

Thus history has been moving with truly revolutionary speed, and it places before the peoples of the world, including the oil producing countries, new tasks.

The sixth extraordinary session of the United Nations General Assembly held in April — May 1974 adopted a historic Declaration on the Establishment of a new International Economic Order and Programme of Action to realize it.

"These evils are reducing the living standards of the working people in the capitalist countries in a way not seen since the years before World War II. Popular movements against the monopolies responsible for this are growing in the capitalist countries.

"The Seminar projected the main line of struggle of the

peoples of capitalist countries against these evils. This consists of the formation of broad anti-monopoly fronts that will win radical reforms, and end the untrammelled domination of life by the giant monopolies.

"Such movements are in course of development in a number of capitalist countries. Prominent in their programs are the call for nationalisation of the oil industry, the taking over of the cartelized facilities which stand between the consuming countries and the producing countries. It is the cartels which bring the prices of fuel out of reach of the large masses of the people. Also included are the more rapid development of their own energy resources, with due consideration for environmental problems, the rolling back of monopoly profit margins, and the elimination of wasteful use of oil, which became institutionalized as a result of oil company propaganda and guidance of development policy, at the expense of really balanced development of transportation structure and fuel usages patterns.

"Attention was given to the balance of payments problems of developed capitalist countries. Imperialist propaganda attributes these solely to the increase in the price of crude oil. However these problems, and the monetary crisis, were acute long before the rise in the price of oil. The fundamental causes, in the case of the United States are its huge military expenditures abroad, the unprecedented export of capital by its multinational corporations, and the depreciation of value of the dollar. More generally, the causes are the uneven development of capitalism, the anarchist internationalization of financial capital, with tens of billions being shifted from country to country in search of the highest profit.

At the same time, a number of developed capitalist countries have really urgent balance of payments problems in connection with the sharp increase in the prices of raw materials, including oil.

4
"It must be understood that the oil corporations have not given up their attempts to retain control of world oil. For the most part, they still retain control of the distribution, processing, and transport of oil from the exporting countries, and within the consuming countries.

"Their real aim is not the reduction in the price of crude oil. It is the maintenance of control, and the restoration in new, disguised forms of domination of the production of oil in the exporting countries. In general multinational industrial and banking corporations are striving to obtain access to the increased revenue of the oil producing countries to use these for building a new kind of neo-colonialist set up in these countries, distorting the economic and social development of these countries for their greater profit. This carries important implications for the development plans of the producing countries. Concerning oil as an exhaustible resource, they should not produce according to the dictates of buying corporations, but in quantities required for their own energy and industrial needs and real world needs, and to provide the export revenues that can be profitably used for financing import requirements for long-term development programs and for steadily raising living standard.

"Development cannot be accomplished overnight. It requires a plan, coordinated industrial and agricultural structure, geared to the pace of training of skilled and professional labor force, to the transformation of consumption patterns. This places a limit, although an expanding limit, on the amount of revenues that can be used currently in any given country. Additional oil revenues can be utilized for assistance to oil-poor developing countries, and especially for regional cooperation among developing countries. The mutual aid, of an economic and military nature, among the Arab countries, is an outstanding example of this. The Venezuelan project for utilization of oil revenues in Latin American development projects is another example.

"However, the seminar stressed the undesirability of the piling up of billions and tens of billions of dollars of excess oil revenues in the big banks of the major capitalist powers. These banks are thoroughly interlocked with the multinational oil and other industrial corporation. To turn over to them, or to the central banks of the major capitalist countries, the funds received for oil

is almost equivalent to giving up the oil without payment the same applies to private investors by ruling families of some oil exporting countries, of investments in real estates and corporation stocks in the developed capitalist countries.

"Similar considerations apply to the forms of control of industrial projects in the oil producing countries. Now large oil revenues are being used

for development of oil refining, petrochemicals, oil tankers, industrialization and irrigation and power and other infrastructure projects. In this connection it is necessary to procure from developed countries, socialist and capitalist, equipment, know-how and training. It is desirable to purchase these commodities and service. Corporations of the capitalist countries are proposing alternative arrangements whereby they invest in, become part owners of the new establishments in the oil exporting countries. In this case, they are simply reinvesting funds of the oil exporting countries deposited in banks in their countries. They are obtaining a foot in the door for establishing control over the industries of the producing countries, and this is part of the new form of neo-colonialist drive, which is being pushed by the corporations of a number of big capitalist countries, speculating now only on legal ownership, but on alliances with pro-capitalist elements in the producing countries.

"There is no reason why complete ownership cannot be retained by the producing countries, and the technical know-how, licenses, etc., purchased in exchange for oil, purchased outright, or with agreed royalty payments.

"Similar consideration concern the structure of industrial development. Particular corporations urge the construction of isolated petrochemical plants, producing one partial product of use to that corporation, but of dubious value to the producing country, without complementary advanced production. Integrated production structures should be planned. At the same time, these can be planned on a multinational bases, involving cooperation between groups of developing countries, or arrangements between oil exporting countries and other countries, socialist or capitalist.

"The working people of the developed capitalist countries, as of the developing oil-poor and food poor countries, are suffering from the extortion of the multinational corporations, and the crisis of capitalist world economy. Tendencies to regard the people of the capitalist countries as having excessive living standards, as being beneficiaries of the profiteering of the monopolies, must be rebuffed.

"Just as it is the duty of the working people and anti-monopoly organizations in the capitalist countries to support the struggle of the developing country for full economic independence, it is in the interest of the oil producing countries to seek forms of cooperation with the people of the capitalist countries in their struggle to preserve living standards, combat poverty and unemployment and racial discrimination.

"The seminar concluded that ways can be found to ease balance of payment problems,

and to promote trade between the oil producing countries and the developed capitalist countries to the mutual advantage of the peoples of both groups of countries. Under the new condition, there are greatly expanded markets for the machinery equipment, foodstuffs and technical know-how of the capitalist countries in the oil producing countries. This will provide employment to the working to the working people of the capitalist countries and needed supplies of oil. The closing of the gap in living standards between the developed countries and the developing countries, including oil producing countries, is not at the expense of the people of developed capitalist countries. On the contrary, it can be to their lasting benefit provided only that the people of these countries take control of the economic relation out of the hands of the multinational monopolies that stand between them today.

"Specially important are working out of cooperation between the oil exporting countries and the developing countries which import oil. Forms of cooperation can include arrangements for exchange of oil for raw materials, foodstuffs, and industrial products, cooperative industrial projects involving the division of labour; special forms of deferred payment, and in emergencies concessionary pricing arrangements and concluding just agreements.

"In important cases, however, no short item balancing is possible, especially where developing countries are suffering from multiplied prices of imported oil and food, without corresponding increases in export prices of their products. In such cases, the oil exporting countries can appropriately, and with mutual advantage, provide easy-term credits and other financial assistance to these developing countries so that they can import the oil necessary for fuel and for fertilizer and other industrial

needs. This will improve the unity of all developing countries with respect to the whole range of political, economic and social problems, and thereby hasten the victory of the world liberation struggle, and achievement of the new World Economic Order.

"Particular importance was attached to the further development of cooperation between the socialist countries and the oil exporting countries. The socialist countries' assistance to the Arab and other oil exporting countries has been different in kind from what is called as the "aid" provided by countries of the multinational cooperations.

"Industries established with the aid of socialist countries remain under the complete control of minerals discovered and extracted with the aid of socialist countries. The developing countries determine their own social structure and military independence, without dictation or interference by socialist countries.

"The principles of mutuality must be recognized. The socialist countries are building a better life, and steadily developing without crisis, on the basis of the planned labor of their own peoples. They are expanding their economic ties with non-socialist countries, as part of the general process of detente which is favourable to the cause of world peace and disarmament.

"Socialist countries also face problems arising from the inflation of prices on capitalist world markets, and the increasing scale of financial requirements associated therewith. These should be taken into consideration in trade relationships between the socialist countries and oil-producing countries.

"For the struggle for full economic independence is not over. The oil monopolies are striving to reestablish neo-colonial domination under new conditions. The oil producing countries need their allies more than ever for this new stage of struggle.

"The seminar focussed attention on a new concept for multilateral cooperation between oil producing countries. Oil-poor developing countries and socialist countries.

"The industrialized socialist countries are now in a position to supply equipment and know how to the developing countries on the most favourable terms and without political interference. They provide markets for the products of these countries.

"Surplus revenues of the oil exporting countries can be used for such tripartite arrangements thereby establishing credits with the socialist countries for exporting supply of equipment, know-how and training to effectuate those long term plans which are essential

for the harmonious and steady economic progress of the oil producing countries.

"Simultaneously, supplies from the socialist countries to the oil-poor developing countries will earn this balance of payment problems, help them solve their food emergency and speed up their development programs, which are now in crisis as a result of the pressure of the monopoly dominated capitalist world market.

"The proceeding stage of struggle centered around nationalization of oil and the raising of below value prices. The seminar pointed out problems and directions of solution for the next stage.

"Prices of oil and other commodities are a most important issue. The US Government has launched a campaign, including threats of military intervention, demanding unilateral reduction of prices by the exporting countries, and claiming the right to receive the oil of these countries. At the same time it does nothing to reduced the multiplied prices of food and agricultural raw materials, coal and various industrial products exported by the United States.

"Producing countries properly resist demands for unilateral reduction in the price of oil, under threat of imperialist refusals and regardless of equitable exchange relations. These to be established only by mutual adjustment of prices of commodities working in the international trade. Global inflation can be checked in the interest of the peoples of all countries rather than the profits of multinational corporations. That is through international commodity agreements, whenever it is possible, establishing standard price for all major commodities, agricultural and industrial, with provisions for long-term stability and periodic review. Such agreements should be negotiated under the auspices of the United Nations, and include all groups of countries without depriving countries' sovereignty upon their national wealths, and guaranteeing the transfer of technology to the developing countries. It is clear from the approach of a banding together of major capitalist consuming countries, to confront the oil producing countries, on the one question of oil, is clearly disadvantageous to the latter, and should be opposed by them. Proposals to include developing countries that import oil, and a broader range of commodities, are an improvement, but still disadvantageous to the developing countries and peoples of the world if they exclude socialist countries. These countries require participation in the agreements, and their participation will strengthen the balance of force against multinational monopolies.

"Similar approaches and possibilities exist concerning negotiation of long term commodity supply agreements, wherever it is possible.

"To that end it is essential that the popular forces of the capitalist countries and the oil exporting countries cooperate in organizing direct distribution of oil, through sales by the oil exporting countries to consumer cooperative and democratically controlled state companies in the consuming countries, and in other ways to develop cooperation to thoroughly eliminate the role of the oil monopolies as middlemen, extracting a tribute both from producers and consumers. Similarly, it is the special responsibility of working people in the capitalist countries to prevent their governments from threatening or attacking, or taking economic reprisals against the oil exporting countries, as a mean of support by these governments of the multinational oil corporations.

"An essential requirements for the success of this economic course is the relaxation of world tensions, the achievement of just peace in the Middle East and the realisation of the legitimate national rights of the Palestinian Arab People, the ending of imperialist intervention in South Vietnam, Cambodia and South Korea, the Arab Gulf, the complete ending of colonialism and apartheid in Africa, the ending of exploitation of the mineral and agricultural riches and people's labour of the countries of Latin America by North American imperialism.

The carrying out of the important UN resolutions for disarmament, the acceleration of such projects as the European Security Conference, and the further relaxation of tension and development of cooperation in mutually advantageous sphere between capitalist and socialist countries.

"We, the participants in the seminar, believe that the scientific work of this seminar, and its documents can be a significant contribution to the cause of peace, liberation and better life for all peoples."

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10 JAN 1975
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1974

BRITISH EMBASSY

BAGHDAD

29 December 1974

S J G Cambridge Esq
Financial Relations Department
Foreign and Commonwealth Office
LONDON

M. Gattuso
M. Lockhart 1/2 *pa*

I understand the
Iraqis published a full page
statement on gold in the F.T.
last Saturday.
22/

1. You may care to have the enclosed translation of a statement by Saddam Hussein, Vice Chairman of the Revolutionary Command Council, dealing with gold and the international monetary system. Statements by any member of the Iraqi leadership on oil or financial matters are rare.

2. I enclose an additional copy of this letter and its enclosure for the Bank of England.

R G Giddens

cc: S L Egerton Esq
Energy Department
FCO
LONDON

"Baghdad: December 27, 1974 - INA

Mr Saddam Hussein, Vice-Chairman of the Revolutionary Command Council (RCC) has said that the question of gold and international monetary system can only be tackled through a universally-respected international agreement, achieved within the framework of the United Nations or other international bodies.

He called on all developing states and on all oil producing states in particular to co-ordinate their efforts and activity towards achieving this objective. He said that these states could do so through the meetings of the interim committee on reform of the international monetary system or within the framework of the United Nations or any other international body.

The RCC Vice-Chairman held any state or group of states taking steps that would lead to aggravate present inflationary trends in the world as responsible for their acts against the international community of nations.

"We are watching with greatest concern the new developments occurring on the gold policy", Mr Hussein said in a statement to INA yesterday. "This policy is directly affecting the interests of developing states including the oil producing states".

He pointed out that Iraq had repeatedly drawn attention to this state of affairs whether through the meetings of the organisation of Petroleum Exporting Countries (OPEC) or other international meetings.

He added: "We have repeatedly stated that continued growth of the inflationary rates in industrialised and developed states causes - directly or indirectly - spiralling prices for manufactured goods, raw material, food and energy, hence increasing the financial burdens of developing states".

/He

He affirmed that Iraq would in no way support unilateral treatment of the gold policy resorted to outside the framework of international agreement, bearing in mind that such unilateral treatment of the gold policy would lead to the creation of international monetary liquidity for industrialised and developed states and that it would adversely affect the developing states from the following two aspects:

1. Reduction of the new special drawing rights issued to developing states; and
2. Continued inflation imposes increased financial burdens on developing states through increasing prices, which in turn obstruct the development plans of the developing states and leads to a lowering of standards of living of their peoples.

The RCC Vice Chairman said: "Unilateral treatments could also be aimed at evading responsibility by industrialised states for providing developing states with technical and economic assistance.

"Industrialised states could also have it in mind thereby to lay the whole responsibility in this connection on the oil producing states which on their part will be badly affected by the consequences of growing inflation."

He stressed that developing states in general and oil producing states in particular "are called upon to unify their efforts and activity, either in the Interim Committee for International Monetary Reform or in the framework of the UN or in some other international body" to tackle the question of gold and international monetary liquidity within the framework of a universally respect international agreement."



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S L Egerton Esq
Energy Department
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M. Lockyer

o p.w.

Dear Stephen

PETROBRAS

Many thanks for your letter of 10 December. I thought you might be better informed than I, or even perhaps than the Brazilian Ambassador, about all this. I doubt, however, whether Petrobras's terms have been changed: I suspect the truth is that the Brazilian Ambassador over simplified things and coloured them with his own pessimism. I will sound him when I can about the effect of the Brazilian off-shore discoveries.

J A N Graham

J A N Graham

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Bag - Thurs 16th
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BRITISH EMBASSY

BAGHDAD Many thanks.

1 December 1974 of 10/1

1. Mr Egerton Nor 9. Draft reply attached.

M. Lockley 2. Ref: LAD, MEI
CIP Dim D/Ea.

I shd. like to send

a courteous ack. I wasn't aware Petrobras were being so chivalrous.

Dear Stephen,

1. The Brazilian Ambassador here is a very sad man. He has no staff and to add to his woes, his luggage spewed its contents all over the Syrian desert when it was brought here from Beirut. But he came here to look after Brazil's oil interests: they obtain a large proportion of their imported supplies from Iraq and with only a small domestic production and rapidly growing consumption, they are going to be even more dependent on Iraq and other Arab suppliers in the future. He told me the other day, in confidence, that with a view to ensuring future supplies, the Brazilian company Petrobras has entered into an agreement with the Iraq National Oil Company whereby Petrobras explore and drill for oil in the south of Iraq, at their own expense, any subsequent production being the property of the INOC. All this altruism - he assured me there was no fee for the drilling - is in the hope (and I gather that it is little more) that Petrobras will be given preference in purchasing their needs from the oil that they discover. There appears to be no firm undertaking as to price except that it would be at discount over posted price.

2. You are probably aware of this: if so, forgive me for bothering you.

Yours ever
JAG

J A N Graham

Copy to:
Chancery
Rio de Janeiro

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53



Foreign and Commonwealth Office
London SW1A 2AL

REGISTRY No. 76

Telephone 01- 930 2323

10 DEC 1974

ME 12/359/1

HE Mr J A N Graham CMG
BAGHDAD

Your reference

Our reference

Date 10 December 1974

LAST
PAPER

Dear Johnny,

PETROBRAS

1. Many thanks for your letter (not to all) of 1 December about the woes of Petrobras in Iraq, not to mention the Brazilian Ambassador.
2. We were not aware that Petrobras were being so altruistic. According to a cutting in our files from Petroleum Press Service of September 1972, Petrobras is entitled to buy a percentage of any crude oil discovered in its concession in Iraq at a "guaranteed sales price". The amount is 21% up to 5 million tons production, dropping to 16% at a production rate of 25 to 30 million tons. Petrobras also undertook to market up to 300,000 barrels a day of the production at 0.5 cents a barrel commission.
3. I had not heard that the terms had been changed. If Petrobras are now living on hope, they are taking a serious gamble. The Brazilian Government has certainly been worrying about its oil supplies. Last year Petrobras began to import crude from BP's nationalised Sarir field in Libya. When BP threatened legal action, the Brazilians hinted that they would be quite happy to stop these imports, if BP would provide alternative supplies. Unfortunately the situation in the Middle East was such that BP could not oblige them.
4. You probably know from your Brazilian colleague that Petrobras has been active in several Middle East countries. I believe they are about to drill in Egypt, where they have a commitment to spend over \$14 million on exploration in the Nile Valley. (They have a 50:50 joint venture there with the Egyptian General Petroleum Corporation). Possibly the results of recent offshore drilling reported in Rio Savingram No 5 of 28 November (copy enclosed) will ease the Brazilian Government's worries. The reports suggest that Brazilian production may expand by between 40% and 50% next year

/to cover

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to cover one-third of consumption, and that by 1980 Brazil may be able to produce 75% of its requirements. I should be interested to hear if this news causes the Brazilians, in due course, to be more tough in their dealings with the Iraqis and/or Libyans.

Yours ever,

S L Egerton

S L Egerton
Energy Department

cc Chancery, BRASILIA
Consulate-General, RIO DE JANEIRO
Chancery, TRIPOLI

LAD
MED
CIP Division, D/Energy

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Documents Relating To Iraqi Oil Production And Policy; Details Of Diplomatic And Economic Ties With UK. Energy Matters In Iraq. 8 Jan. 1974. MS Middle East Online: Iraq, 1914-1974: Selected files from series AIR, CAB, CO, FCO, FO, PREM, T, WO, The National Archives, Kew, UK FCO 96/123. The National Archives (Kew, United Kingdom). Archives Unbound, link.gale.com/apps/doc/SC5107461118/GDSC?u=webdemo&sid=bookmark-GDSC&xid=26b344c0&pg=1. Accessed 11 Apr. 2022.